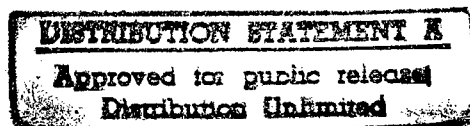


JPRS-EER-91-168  
13 NOVEMBER 1991



# ***JPRS Report***



# **East Europe**

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# East Europe

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**Replacements for National Representatives**

92P20046A

[Editorial Report] Sofia DURZHAVEN VESTNIK No. 91 in Bulgarian on 5 November on page 1 publishes a decision of the Central Electoral Commission giving the names of replacements for persons elected to the National Assembly on 13 October who have decided to serve as mayors. The individuals who will replace them are all members of the Union of Democratic Forces. The new national representatives are:

—Petur Todorov Todorov, of the 3d Electoral District of Varna, replacing Khristo Yordanov Kirchev, new mayor of Varna.

—Ruslan Kostadinov Semerdzhiev, of the 7th Electoral District of Gabrovo, replacing Ivan Nenov Ivanov, new mayor of Gabrovo.

—Marin Penev Marinov, of the 15th Electoral District of Pleven, replacing Aleksandur Lavrentiev Aleksandrov, new mayor of Pleven.

—Zdravko Todorov Katsarov, of the 16th Electoral District of Plovdiv, replacing Garabed Tomas Tomasyan, new mayor of Plovdiv.

—Stefan Aleksiev Chanev, of the 24th Electoral District of Sofia City (second city district), replacing Aleksandur Stefanov Yanchulev, new mayor of Sofia.

**Mlynar on Democracy, Human Rights, Free Market***92CH0121A Moscow IZVESTIYA in Russian 30 Oct 91 p 4*

[Interview with Zdenek Mlynar, political scientist and rights advocate, by L. Shinkarev in Moscow; date not given: "Democracy Tempted by Formal but False Democracy"]

[Text] The Czechoslovak political scientist, active figure in the 1968 Prague Spring, and well-known rights advocate Zdenek Mlynar recently spent some time in Moscow. Before his flight back to Prague he was interviewed by our correspondent.

[Mlynar] In anticipation of your questions, I'd like to say the following: I'm not one of those persons who regard the collapse and failure of the August putsch in Moscow as the end of a departed epoch. It would be better to interpret this as the beginning of a new social development with its own conflicts, contradictions, and consequences. Nobody can know for sure whether or not the intentions and plans proclaimed by those persons who are at the wellsprings of this new development will be fully and successfully carried out. All the more so in that the present-day state of the economy will hardly facilitate further development of democratic institutions. Do the latter constitute the goals of tired people standing in endless lines?

But Moscow disheartens even the most sober politicians—those who do not feed on illusions—by the apocalyptic anguish of its mass media and by persons who compete with each other in issuing predictions: When will the complete collapse occur? in the winter? In the spring? Or in the autumn? And they say that it has always ended this way in Russia, that a catastrophe is inevitable, and that there are always intellectual exercises when there is a shortage of constructive ideas. This intensifies the dissatisfaction in the society, and the possibility is not excluded that—when there is such empty, gloomy talk—tired people in time could indeed abandon their faith and trust in democratism.

[Shinkarev] You are not the only rights advocate who—until quite recently—was decisive in words and deeds, but who—now that democracy has emerged victorious—reveals a previously unnoticed cautious quality: Your opinions and judgements have become more restrained; your actions are slower and more hesitant. Is this the effect of the passing years? Have you gained some more wisdom? Or is it something else...?

[Mlynar] The Prague radicals have also lumped me together, if not with the conservatives (this term would be rather hard to apply to my biography), then, in any case, with the moderates, the centrists. While agreeing with this, I could add that I became that way after August 1968. In thinking over what had occurred, I came to understand how easy it is for politicians to allow themselves to exacerbate the situation. They can speak about

the Soviet intervention in Czechoslovakia, Brezhnev's imperialistic ambitions, and a great many other things which cannot be justified. But the fact remains that the reformist movement was smashed, and for the next 20 years our people lived worse than they had before. And the leaders during that period (myself included) cannot fully absolve themselves of responsibility. Having learned something from historical experience, I do indeed prefer to be more cautious now, and I look before I leap.

This circumstance determines my present-day view of Moscow. I had not previously sensed in this society such a shortage of patience or tolerance, such a disinclination to hear each other out or to search together for solutions to nationality, social, and other problems. Attempts to break away from the old system and blaze a trail to a market-type economy are accompanied by inevitable pressure from those forces which are exiting the stage of history, by covert or overt threats, and by the destruction of stereotypes to which the masses have become accustomed.

A mob or crowd can behave in various ways: It can defend and protect democratic leaders or organize pogroms. Its actions are spontaneous and frequently unpredictable. But taking part in administration, i.e., in running things, can only be done by a civil society which has at its disposal structures that enable it to do this. It's not just a matter of various types of political parties and movements, but also concerns a wide range of people's associations. Austria has a modest-sized population, but it has about 160 parties, although only 4 of them are represented in the parliament. Moreover, there are 70,000 organizations of all possible kinds, ranging from societies of school classmates, various groups of persons from the same place, etc. These small units constitute schools of civic mentality. Here people learn how to conduct dialogues and to achieve goals in civilized forms.

[Shinkarev] Nor does our country have any shortage of parties, movements, and associations....

[Mlynar] But many of them are not much different from each other. Their leaders are usually those who criticize the people in power most sharply. This characteristic ranks above competence or a practical, business-like quality. Within the existing electoral system parliament does not have a sufficiently complete representation of all public organizations. I don't think that we can consider as optimal an electoral system under which the winners are deemed to be those persons who have garnered at least half the votes. This is only one type of electoral system, and it does not fully meet the requirements of a multi-party society. It supports and maintains only those oppositionist attitudes which are dominant at a given moment. As a result, many members of the parliament understand democracy exclusively as an opportunity to put pressure on the authorities.

The West experienced an analogous situation during the 1930's. Under the conditions of an economic collapse and a crisis of the parliamentary system, when the elementary demands are not being satisfied, people become indifferent as to who is in power—democrats, partocrats, greens.... The historical situation mentioned above became sharply worse, contradictions grew into conflicts, and power was seized by totalitarian regimes.

But after the war, when Europe became capable of satisfying the basic demands of the population, a modern-day type of parliamentarianism began to assert itself. Persons began to feel a personal responsibility for their own actions and for their consequences. The first thing that the society must do, I repeat, is to change the economic situation: So far it has continued to operate against the new political institutions.

[Shinkarev] Here in our country attempts have become more frequent to put an end to the economic crisis Budenny-style, i.e., at full gallop, hurtling forward like a cavalry saber. Nowadays such slogans as "Let's have cartels!" are fashionable, slashing other forms of economic management left and right. Everybody demands that things be done immediately and everywhere! That's the way our fathers believed in one and only one incantation: "Let's have kolkhozes!" And they shoved the doubters into freight cars and shipped them out to Siberia.... Again, just as in former times, we only understand a concept formulated as "Either...or," and the formulation "Both...and" seems inimical.

[Mlynar] Nowhere in Europe was the transition to a market-type economy a simple matter of brief duration. Under the conditions of the Russian reality this is all the more difficult to expect. Interregional economic ties have evolved here over several decades. In the West there are no problems for a motor-vehicle plant if, for example, a windshield-glass manufacturer stops delivering his product. The plant finds other suppliers who are prepared to supply him with these windshields at a cheaper price and of better quality. But if the gigantic motor-vehicle plant in Tolyatti does not receive enough glass, it is still incapable of seeking out and finding variant possibilities: there is no market-type mechanism. And some motor vehicles will have to be driven without windshields, something which can already be observed on the roads in the suburbs of Moscow.

During the transitional period the combination of various forms of economic administration is inevitable. I see a danger in the fact that this society still contains forces which are interested and motivated to use the genuine difficulties for their own purposes, as if to say: "You see, you can't get along without us. You'd better return things to the status quo ante."

There will be fewer difficulties when consumers reared and trained in market-type attitudes begin to appear together with a stratum of entrepreneurs. The time periods for the universal transition to a market-type system will depend on their overall lack of fuss and

bother as well as on their circumspection and discretion. I don't think that this process can be facilitated by a law on personnel checkups, such as the law adopted in Czechoslovakia, restricting occupational rights for former staff members of party organs, state security, and certain other categories.

[Shinkarev] We don't have a law like that here in our country, but there are similar instances of infringing upon people's rights. Particularly zealous are yesterday's partocrats who have found niches for themselves in the new structures and who are trying to demonstrate their devotion to the new authorities by their hostile attitude toward their recent comrades.

[Mlynar] That can be observed in all the countries of the former Soviet Bloc. In general, any revolution or coup has the inherent intention of crowding out the previous regime's staff members so as to prevent them from interfering. The question is—how this is to be done. As you have noted, it is time-servers who try to do this most of all. That's the way they prove their present-day loyalty. The solution lies in making sure that every citizen can count on an impartial court and on the protection of his own constitutional rights.

There is another aspect of this issue. A person must be responsible not only for his own conduct, but also for having allowed himself to become the instrument of someone's else's will. People say: "Here's a communist; he himself is an honest man and personally never did anything bad to anyone." And they pass over in silence the fact that he, nevertheless, did allow a totalitarian system to influence and guide him. Another matter is that certain present-day expositors or unmaskers, who were not party members in a formal sense and now pride themselves on that fact, were far more zealous servants of the system than those against whom they are now speaking out louder than anyone. In my opinion, under the present-day, tense conditions, it is shortsighted to "settle scores" for the past—that is, of course, unless it's a matter of certain obvious scoundrels and criminals who have done bad things.

I've sent an open letter to Vaclav Havel, with whom I founded the rights advocacy movement Charter-77. After pointing out that the law passed by Czechoslovakia's parliament violates the principles in the defense of which we both spoke out at that time, I asked the president not to sign this document. I'm convinced of the following point: The protection and defense of human rights should have higher priority than any and all political advantages or expediency.

Here's a new collision: It turns out that it's one thing to be a dissident in a totalitarian society, and something else again when the dissident comes into power. Nowadays many Czechoslovak ministers are in just such an ambiguous position. Their true democratism is being put to the test. Because, you know, other dissidents who do not wish to hold posts and who are observing their recent comrades-in-arms, people with whom they spent time in

prison, emigration, etc., will ask them something like the following: "Is this really what we struggled for together?"

It's dangerous when a democracy, having taken power into its hands, proceeds down the path of forming its own nomenklatura and sets up what is essentially a monopolistic rule by what is today being called a "demokratura."

[Shinkarev] Mikhail Gorbachev is sometimes suspected of having such intentions. You were with him in one course of studies, you attended his wedding, and you have maintained ties with him. What do you think: Can the present-day evolution be natural for him, and can he really predict its subsequent direction or trends?

[Mlynar] It's difficult to predict things, but—to the extent that I know Gorbachev—I'm convinced of the following: He really did experience everything that occurred. That was not a game for him. What happened on 19-21 August was not only a political tragedy but, in my opinion, was also a personal tragedy for him. What he was attempting to do most of all was not to allow conflicts of this kind: civil war, a putsch, a coup.... To a great extent, this explained his behavioral profile, which seemed so unpredictable when viewed from the sidelines. But he did not succeed in avoiding this. Now, as he himself has acknowledged, he has returned like a different man to a different country.

To my way of thinking, a characteristic feature of today's society is the inability to conduct a dispute. Foaming at the mouth, the opposing parties try to prove their own truths, usually expressed in extreme forms, and attempt to "beat down" their opponent so that he cannot lift his head again. It has not yet penetrated into the mass consciousness that truth, as a rule, is relative: he who is absolutely correct now may be utterly wrong tomorrow, and he will have to admit that. In a civilized society it is a commonly accepted thing to cooperate with one's rival, even with one's political opponent. Tomorrow they might change places: One might be on top, while the other would be in the opposition. They must become accustomed to that. Only by learning from one's initial mistakes, by avoiding intolerance and impatience, will a young democracy be able to withstand the temptation to set up a formal but false democracy.

#### Features of Nationalism Called Neo-Communist

92CH0107B Bratislava NOVE SLOVO in Slovak  
17 Oct 91 pp 8, 9

[Article by V. Sladek of the Public Against Violence: "Human Beings—or Merely Slovaks?"]

[Text] Powerful appeals are calling for unification of political movements, for unification of the nation, for unification as a higher ethical principle. However, who are those who advance those ideas, and what price do they intend to pay for such a unification of Slovakia? The toll they are willing to pay is not negligible. It is the breakup of Czecho-Slovakia. It is a breakup of a state

founded on the ruins of the Hapsburg empire and on the ruins of St. Stephen's crown, by the will and with the blood of our forefathers. It is a denial of the life-long achievements of such personages of the Slovak nation as Stur, Stefanik, Hlinka, and Dubcek. Having learned from accurate analyses of history, our elected gentlemen now would sacrifice anything and anybody just to be guaranteed power that must first designate its foe, albeit an invented one: Lo and behold, the federal government. And then they lead an aggressive little mob in whose name they can give orders to everybody. Divide and rule. Actually, appeals for unification are appeals for disunion and for discrimination against the minorities—national, racial, religious, ideological, social, cultural, for all kinds of minorities. Professionally conducted propaganda against those groups may prompt a feeling of exclusiveness and superiority in any susceptible person. Mirror, mirror on the wall will tell him that he is the fairest and smartest creature in the world, and therefore, he and his confederates can push around all those who may be even the least bit different, and order them how and where to live, what they may and what they may not wish for. And if that is heard from a voice reverberating from the grandstand, there is no further need to explain why, because who would believe that this is a national-socialist Slovakia, a racist Slovakia, a neocommunist Slovakia?

A communist used to be simply a man of higher standards and of superior qualities and capacities. He was called to rule. He was wise, talented, and physically attractive; he was the hope of the future. Nevertheless, the hot year of 1989 and particularly, the peculiar political scenario or psychodrama in the Union of Soviet Socialist Republics, publicly defined the two main characteristics of communism. First, the determination to resolve all political controversies with power. Secondly, the elevation of robbery to a legitimate principal method of acquisition of ownership. However, it is no longer possible to appear with such slogans before the people and ask them for a mandate. Yet what are people to do if they had been groomed to become rulers in the future? After all, they are professionals who had been thoroughly trained over a long period to act for all—for the whole society. They cannot admit that all of a sudden, they are articulating interests of only one group; they need to have the support of at least 50.1 percent. Their mindset cannot deal with any other situation. They are not concerned about ideas, and are willing to serve any ideology so long as their positions, personal power, and material advantages are guaranteed. And they are capable of betraying anyone anytime. Such persons clearly see how to treat others whom they had robbed of their promising future. They have to find a new dividing line. First, they have to divide Slovakia's citizens into non-Slovaks, white non-Slovaks, and patriotic Slovaks; only the latter are chosen and worthy to discuss the future destiny of this little strip of Europe. Secondly, another asset of the neocommunist representatives is their professionalism. What does it matter that the possibility of anyone's professional growth used to depend primarily on his party membership, and that in

their crushing majority, the children of known dissidents were ineligible for higher education. To earn academic degrees, to publish, to serve in management—those, after all, are guarantees of expert skills. One can ignore the fact that this entailed servility and loyalty to the inhumane communist regime. From this perspective, the call for an absolution and general amnesty is justified. Let us let bygones be bygones; after all, we are Slovaks. However, the saviors and messiahs of our nation have the sacred right to slander anyone, including the president of our country. The neocommunists may achieve power only if the two above-mentioned primary characteristics of the communist method of government are present. As for the first of them: An armed unit must be organized so that it may be deployed to stage a coup d'état. It does not matter what it is called. The home guard will do, since people's militias have been disbanded, and there are few immoral individuals in the Czechoslovak armed forces. Secondly: The process of privatization and restitution must be stopped, because stolen goods are sacred, and after all, collective ownership can be best managed by the same experts who have been so successful in their posts for decades. Nevertheless, that situation cannot take place in a country whose population has little taste for endorsing this kind of efforts. And such a country is also the Czech and Slovak Federal Republic. Hence, the effort to break it apart. The effort to gain the support of the nation that may be led in an enlightened way. Individuals who are dividing it want to rule it. The effort of unification on the national principle is in its essence an effort to set up and enforce a new criterion to drive a wedge between Slovakia's citizens. However, we still have time to choose whether we want to be human beings or merely Slovaks.

#### Specifics in Slovak Approach to Federation Listed

92CH0107A Bratislava NOVE SLOVO in Slovak  
17 Oct 91 pp 8, 9

[Article by V. Klepac of the Christian Democratic Movement: "Let Us Not Scare Ourselves With Nationalism"]

[Text] On this side of the Morava River we interpret the same concepts differently than on the other side. If you allow me, I distinguish five such areas where the orientation in the Czech and Slovak political arenas differs and on which we must reach a consensus here in Slovakia. The first of those concepts or terms is the concept of a common state. The Czech side understands the common state as a state with a federative system and a strong federal government, where the powersharing rights of the national governments are transferred to the federal government. In the same way, it views the common state as a state based on the civic principle. The Slovak political representation is not united in its views on the common state. The stratified distribution of its political forces ranges from the federation, which is postulated mainly by such movements as Public Against Violence, the Democratic Party, and the Hungarian parties, but even they do not regard the federation as centralized as it is viewed in the Czech Republic; those

parties have in mind a decentralized and loose federation. The Christian Democratic Movement is for a loose federation with confederative factors, or a federation, and the Movement for a Democratic Slovakia is gravitating toward the same idea, while the straightforward aim of the Slovak National Party is an independent state.

The second such concept, which I think is interpreted differently there and differently here, is the concept of a common economic space. The Czech side understands the common economic space as a unified Czechoslovak economy with unified Czechoslovak social policy and with strong federal powers. To achieve this, some of the shared powers granted to the national governments last December upon the adoption of the law on powersharing must again be surrendered to the federal government. The Slovak representation argues against Article 4 of the Constitution which states that the CSFR economy represents an integration of two national—Czech and Slovak—economies.

The third and in my view, the most crucial concept is the concept of the constitutional process. The Czech representation describes the constitutional process as follows: First, a treaty is concluded, then the constitutions are adopted; thus, the draft of the Czech constitution, which I was able to scan a bit, is conceived as a complement to the federal constitution. We are not completely of one mind in this respect, either. Some parties—by that I mean Public Against Violence, the Democratic Party, as well as the Hungarian parties represented here—share views that are nearly identical with those held by the Czech representation; other parties think that the constitutional process should adopt the constitution of the Slovak Republic first and only then conclude a treaty. This simply follows from the need to build a common state from the bottom up, and to proceed from the original, initial sovereignty of the republics which legally declare their sovereignty by adopting their constitutions. A nation that has not become an entity by adopting its own constitution is no entity at all, because a nation assumes all its due rights with its constitution, and only then can make its own decisions on ceding some of its shared powers to a higher authority. In my view, it would be illogical for us to adopt a treaty first and only then to draft our constitution. It would be against the logic of the matter if in advance we would do anything that could put restrictions on our constitution, and only then we would get down to the drafting of our constitution.

The fourth of these basic problems, as I see them, is the concept of the "treaty." The Czech side is of the opinion that a treaty should self-destruct, in other words, that after its adoption it automatically will become invalid; powerful pressures are exerted to turn it from a treaty into some kind of a contract between the national councils. We think that the treaty should actually be a state pact, precisely in the sense of Chapter 1 of the Constitution of the Slovak Republic, and I take the liberty of stressing here that it does not contradict even the Vienna agreement on contractual rights. Whoever harbors any doubts about that should read it.

The last concept, which is a frequent topic of discussions and also differently interpreted, is the concept of international legal subjectivity. The Czech side accepts it as exclusive international legal subjectivity for the CSFR, i.e., for the federation, and some Slovak parties agree with that interpretation as well. International legal subjectivity, however, is an attribute of every nation's sovereignty, and the Slovak and Czech statehood was firmly determined constitutionally by the adoption of Constitutional Law No. 143/1968. In fact, at that particular time the two republics attained their international legal subjectivity; it is quite another thing that at that time they had surrendered—I am afraid, not completely voluntarily—100 percent of it to the federation. Thus, the CSFR's unified international legal subjectivity was established, and from the point of view of international laws, the CSFR is actually a unitary state. However, no one will prevent international legal subjectivity to be construed as combined in instances where the federation as well as the republics have their own subjectivity, which will enable them to conclude international agreements and join international communities.

This is my view of the problems which we must clarify among ourselves before we carry on any further negotiations with the Presidium of the Czech National Council. It would be a tragedy if various extremists would seize the nationalist idea and their words or deeds would discredit it. Obviously, no one would want to live in an independent Slovakia where traitors are tried and political opponents bulldozed down. Let us not frighten ourselves or the world with Slovak nationalism. However, Slovak nationalism—which our neighbors are always so ready to castigate because that made it easier for them to assert their own interests in our country—has crystallized precisely under their pressure. From times immemorial it was a defensive kind of nationalism. Slovak nationalism has never claimed any privileged positions among nations, nor has it ever harbored any illusions that it was superior to anyone else.

Rather, it was the other way around; often it did not trust its own real forces.

Our nationalism used to demonstrate, and I daresay, still demonstrates a patriotic character which never contradicted humanistic ideas and for those reasons, it never could turn into jingoism.

When pressures to dominate us cease, Slovak nationalism will also cease to exist as a political phenomenon and continue only as a cultural phenomenon.

### **Psychologist Looks at Czech-Slovak Relations**

*92CH0106A Prague PRITOMNOST in Czech No 10  
pp 1-2*

[Article by Petr Prihoda: "Slovaks—The Czech Dilemma"]

[Text] We are "getting what for": Everything is different in comparison to what we imagined up to now. We are

like suddenly orphaned children thrust into the maelstrom of life, about which they did not know much prior to this time. Forty years of a lack of freedom also represented the absence of many problems, or their recognition. Now, the bag of problems has burst. Even the very bonding agent of the Czechoslovak state has become a problem. When foreigners ask me whether the federation will survive, I tell them honestly that I do not know.

One of the many topics which has waylaid Czech thinking is a Slovak topic. We did not anticipate that, following the downfall of real socialism, the Slovaks would feel so unwell with us. "What do these Slovaks really want?"—this is the frequently surprised Czech question which simultaneously gives rise to a Slovak cynical sneer. Those on the Slovak side who believe that they have explained the situation meaningfully to the Czechs are in error. Both sides speak a different language, they emphasize differing aspects of reality and demonstrate a differing amount of selectivity with regard to that which they do not wish to perceive. The Czechs are more attentive regarding the facts pertaining to national economic and particularly fiscal matters, whereas they devote less attention to historical, sociopsychological, and particularly ideological factors. With regard to the Slovaks, matters are obviously reversed.

And so people on one side and on the other want to and do not want to live in a common state. The Slovaks qualify their attitude as follows: They would like one, but it would have to be different from the present one. In this regard, they are guided by the insufficiency of a definitive target vision. The ground-floor practical Czechs have a different view: They see themselves surrounded by havoc, argue about who is to blame and whether there is any point in beginning to create order; and if so, it should cost as little as possible. They consider a joint state to be a matter of course. They do not understand Slovak reservations; they appear to them to be unsubstantiated. If the Slovaks do not like it here, then let them go—but then they should leave as quickly as possible. The Slovaks consider themselves demeaned by this attitude.

Because the Slovak position with regard to the joint state is antistatutory in nature (it is a desire to change its status quo), the Czechs find themselves in the position of its defenders. The personalities and the staffing in this game look as follows: Those who say A are Slovaks; the Czechs are left with nothing to say but B; then follows a new Slovak A, etc. The Slovaks have the feeling that they cannot fully prevail, whereas the Czechs feel that they are compelled to retreat in the face of Slovak pressure. Every time the Slovaks achieve something, they feel that it is of little significance, whereas the Czechs, who accommodate them in something, feel that they are making unmanly concessions. Both sides have feelings of embitterment. From time to time, they even address these feelings to their own politicians. The Slovaks would like to have someone at their head who would



finally "clarify things" for the Czechs. And, oddly enough, the Czechs are longing for the same.

And it is not possible to appeal to any kind of clear canon. Postwar Czechoslovakia proclaimed itself to be a common state of two nations with equal rights. The constitutional amendment of this year confused things still further. It states that the basis for the CSFR is a voluntary union of the national states of the Czech and Slovak people with equal rights, based on self-determination by each of them. However, undisputed legitimate and thus authorized national representations never came together to agree upon a common state. Yes, legitimate representations do exist here, but do not represent the nationalities, but only citizens of the republics, which is not the same. And their legitimacy is derived from the federation which existed before because a unitary state was here first which then decided to become a federation. From this standpoint, it is not important that this was, in the final analysis, a socialist state.

A voluntary union presupposes an act of goodwill through which both sides would join in a common state. This mythical act never took place. The Slovaks are bothered by it. They were always bothered by it and their motives can be understood even though they are greater today than the promises made by the Pittsburgh Agreement, which was ultimately not acknowledged by the Czechs. They would like to rectify history in retrospect. However, this is not all that easy. No "clean" correction is possible. It will always turn into a new history-creating fact with unanticipated consequences. Let us recall our "undoing" of the consequences of White Mountain.

In other words, to sever this Gordian knot is fraught with risk, because the disintegration of the common state threatens (again: with unforeseen consequences). It will be better to slowly unravel it—to be sure, jointly. But it is more likely that someone from one or the other side will knot it still tighter, generally at the expense of the other side, without perhaps even realizing it. The Czech parliament is doing so with its a priori unwillingness to see any unraveling: We cannot, we do not wish to, we will not permit. The Slovaks then generally pick on one of the weak spots of the common fabric, such as, for example, was done by the Slovak prime minister and chairman of the parliament when they raised doubt regarding the legal continuity of the state from the year 1918.

Some Western commentators contest the point of the past 40 years. Was this a cruel purifying winter which eliminated any harmful vermin, pupae, weeds, and molds? Or was our republic only put in the refrigerator where the enzymatic processes were merely attenuated, only to start up at a rapid pace once removed? The former is certainly not true. It would seem more likely that as soon as the socialist refrigerator had served its ends the Czecho-Slovak polemics began regarding the constellation of the 1930's—certainly burdened by the socialist heritage.

If one and the same language was spoken in the Czech Lands as well as in Slovakia, it is possible that a tolerable, or possibly even a fruitful tension might exist between the western and eastern portions of the joint state. Perhaps like the one which exists between the French or Italian north and south. If...

The Czechs have been striving for such a situation since long ago. They have never been successful. The White Carpathian Mountains were and are a watershed between two paradigms. History is perceived differently by either side: the First Republic with Masaryk and Hlinka, World War II with the Protectorate [of Bohemia and Moravia] and the Slovak State; even socialism is subject to two interpretations in many places. But it is not only history that is seen in differing lights.

Czech efforts to perceive Slovakia to be an extension of Czech substance in the direction of the Carpathian mountain ranges persists, even though it has lost some of its vehemence. We have backed away from the theory of a single nation and a single language, even from the theory of a unitary state. But somehow we still expect that the Slovaks should share the Czech "philosophy," Czech reminiscences, worries, and visions—in short, the Czech paradigm. Prague is not interested in being the "image" of a federal metropolis, the president has not become accustomed to regularly reside at Bratislava Castle on account of day-to-day work, etc. In brief, the federation has a Czech "design."

This does not bother the so-called simple people in Slovakia; they have their own daily worries and concerns, as do the so-called simple Czech people. But those who desire to look beyond the horizons of the everyday perceive this as a Czech embrace. They perceive this as a malevolence, which sentences Slovakia to provincialism. Anything like this results in antagonism today anywhere in the world. And Slovak antagonism toward Czech hegemony has a tradition which is just as old as the Czechoslovak state.

Yes, these are "mere emotions." And this type of Czech thinking, which is being promoted today, is not willing to pay much attention to them. It prefers "rationality"—more precisely stated, a substantive and narrowly technical rationality. It is a rationality on which industrial and postindustrial civilization has bet. Only, that which appears to be irrational on the basis of this narrow viewpoint nevertheless is realistic. And it acts realistically. "Mere emotions" can change the course of human life, can bring about disease, can split up a marriage, can become the trigger for pogroms, as well as for civil war. Is it so difficult to visualize that these emotions might become a stumbling block for our federation?

In the past, Czechs and Slovaks had something in common: a feeling of insecure existence pertaining to a relatively small nation, surrounded by numerically superior neighbors. However, the awareness of the similarity of the geopolitical fate is no longer effective today. Moreover, it would appear that, to the extent to which

both nations are heading in the same direction at all, they are progressing at an uneven pace. In fact, it is likely that each of them is heading in a different direction. To be enthusiastic here regarding Europeanism and, on the other side, regarding identity—these are truly quite extraordinary lines of force. In fact, the room within which it might be possible to understand them as elements of the same force field is being lost.

And so, the Slovaks feel that the numerically and economically superior Czechs are dragging them somewhere where they do not wish to go. And to the Czechs, the Slovaks appear as a burden and as a brake. Both sides feel that “we” are being damaged by “them.” Of course, this brings about a fundamental doubting regarding the very sense and cohesion of the common state.

The situation in which neither side is fully clear as to whether it wishes to live in such a state is damaging to both. And not only because foreign entrepreneurs are not hurrying to invest their capital in such a state. It is like a marriage from which mutual affection has been lost and which, for some reasons, which are mostly material in nature, is preserving the external appearance of existing. If a new meaning cannot be found, mutual distaste will develop which will, occasionally, break out as hatred.

Something similar is taking place in Czechoslovakia. The number of those who profess to believe in Czecho-Slovak mutuality, perceived as a moral ideal, is declining on both sides. On the other hand, there is an increase in the number of those who are convinced that we are connected only by “networks”: by rails, wires, pipelines. The prejudices of one side or the other are always easily visible by the opposite side. From our side, for example, it is readily seen that efforts not to permit the Czechs to infantilize [the Slovaks] occasionally obscures Slovak vision as well as thinking. Even a sensible voice from the Czech side is perceived in Slovakia as “tutoring” and is, therefore, unacceptable. The anti-Czech aversion is preventing the Slovaks from coming to terms with the fact of the Slovak Republic, which existed from 1939 through 1945; this act of self-examination is owed by the Slovaks not so much to the Czechs, but to themselves.

And in what manner are the Czechs deformed? Most likely in a similar manner. With a feeling of superiority over the Slovaks, they disdain any kind of voice from that side. They overlook the fact that Czecho-Slovak polemics are replete with a dispute which transcends these polemics with its seriousness: the legitimate dispute in the spiritual area. And, this way, they become hardened in their lack of receptivity with regard to the spiritual dimensions of life itself. They thus become, or rather remain, small-minded Czechs.

To record spiritual streams and their conflicts and to attempt to understand them is a task for which the social organism creates a special functional system referred to as spiritual representation. This is not a self-serving task: These streams—they are actually tectonic forces in the bedrock of human history.

We do not identify these representations with artistic groups, writers’ unions, or with other cultural institutions. They form spontaneously as the results of creative efforts and favorable social conditions. I also participate in them as an individual by being concerned about their functioning and by being willing to give them my conditional mandate.

Let us not even identify this kind of representation with so-called intellectuals. Although they should be the ones to particularly care for the functioning of this representation, but they do not automatically become its executors. In fact, they frequently become untrue to this mission by deserting into the servitude of prosperity ideologies. Seventy years ago, the French thinker Julien Benda called this perfidy the “treason of the intellectuals.”

Both Czechs and Slovaks are lacking in spiritual representation today. On both sides, it is being supplanted primarily by journalism, particularly by the daily press. Neither the Czech nor the Slovak newspaper community is capable of discerning and identifying all that is involved in the Czecho-Slovak controversy. It is unable to differentiate between various group interests and that which I have referred to as the legitimate dispute in the spiritual sphere. It, thus, trivializes the object of the dispute and accounts for the main share in the uncultivated course of the controversy.

The Czecho-Slovak dispute certainly involves a constitutional arrangement, jurisdictional problems, and budgets, all of which are matters which fundamentally decide on the functioning or nonfunctioning of a joint state. But these are not the only things involved.

The Slovak emphasis on identity causes Czech aversion which is only partially reasonable. Yes, the Slovaks tend to wrap this problem into nationalities, constitutional, and even religious terminology. However, following the collapse of total dictatorship, which consistently leveled and depersonalized, which created a part of a machine out of everyone and everything, the problem of identity of the individual and of the group is supremely topical. Let us admit that Slovak media are expressing it with disproportionate means; but the Czech media are not presenting it at all, although they could very well tie in to a certain line of Czech dissent; this is, in and of itself, noteworthy.

“The nation is more than a state,” one hears from Slovakia to the dislike of Bohemia where, it would appear, the opposite sequence holds true. States come and go, says today’s Slovak experience, whereas nations remain. A nation is a given, whereas the state is an accomplished piece of work, the Czech experience counters. Is this objection truly credible and based on actual experiences? Is a nation merely a given? If we consider the absence of historic memory and the dislike for dialogue in our own past on the Czech side, then this abrupt disparagement of a nation appears suspect.

We Czechs are hurrying "into Europe" with the idea of an idealized efficient society of surpluses, as is being developed particularly by our self-conscious, but inexperienced right. The Slovaks do not share this enthusiasm and we readily accuse them of being guilty of behind-the-stove provincialism. However, it does not seem that this is the sole reason for Slovak hesitation. The Slovaks, who have long been more threatened than we, felt more strongly than we did that the keystone of the world structure is the home, around which more and more horizons are consistently piled up. They do not share our preoccupation with "Europe" because they instinctively sense the risks inherent in the universalizing and equalizing civilization. Some years ago, it was Czech dissenters who were against criticizing this civilization by conservatives. It was not the Communists as well as the noncommunist technocrats and scientists from within the "structures." That one-time understanding has become lost somewhere along the way. Even that is noteworthy.

The Slovak attitude in its present form, as characterized by current Czecho-Slovak polemics, does not represent a danger only for the Slovaks. They are threatened by self-centered nationalism, they are in the midst of attempting to privatize Christianity or Catholicism as the national religion. Their fears can act as a brake on economic entrepreneurship, so that they could easily become an inefficient appendage for an economically more viable partner, irrespective of who that partner might be. If only they were aware of this; much like we should be aware of the risks threatening us. The greatest of these dangers is blindness.

There is no one to whom topics which are fundamentally important for a world-view orientation, which are, in and of themselves, internally controversial and which should become the object of interest for spiritual representations on the part of both national societies, can be presented. In this status, exigency, not only in the

concealed form, but also quite decaying in nature, has become the bone of contention between political representations of both national republics.

No, this can truly not be solved by a referendum. Such an attempt at arriving at a solution would bring clarity to the matter only if the results were to decide on the disintegration of the common state. To the extent to which this will not occur, the followers of Slovak sovereignty (no matter how obtusely conceived) will perhaps be silenced for a time, but nothing much will change regarding the Czecho-Slovak relationship. We will continue to be vexed—everyone in a different manner—by jurisdictional squabbles, by budgets, etc., and both nations will continue to become alienated from each other. Then it will only be a matter of coincidence as to which problem will become the bone of contention or, rather, which will cause the disintegration of the federation. It will be unpleasant and unpropitious with regard to the future because the disintegration will take place under conditions of exacerbated mutual antipathies.

A more acceptable eventuality would be the gradual dismantling of the federation, following mutual agreement. This would not be easy, because it would require bilateral self-denial. But the prospects for a future good-neighbor existence would be more likely.

There is still a third possibility. Both societies could become "healthy" and each could create its own spiritual representation. These bodies could then initiate a dialogue, within the framework of which it might be possible to find the meaning of a common state. This would likely be a coexistence which would be less "emotional" and more pragmatic. This is the most demanding and most time-consuming eventuality. It would presuppose, for example, the cultivation of policies (particularly of coalition policies) and the cultivation of journalism. That is why it is less likely than the preceding possibilities and particularly less likely than the first version—the easiest one.

**EC Affiliation: Advantages, Alternatives**

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10 Oct 91 pp 1, 19

["Excerpts" from a speech by economist Peter Balazs at the 29th Congress of Economists; place and date not given: "Joining the EC: The Dangers of Transferring"—first paragraph is FIGYELO introduction]

[Text] Negotiations regarding Hungary's association with the EC are not without disappointments. The author presents various possible scenarios in the course of becoming associated with the EC that should spark debate both in Hungary and abroad.

**[Box, p 19]**

In Hungary's case (and further, in the cases of Poland and, with a small delay, of Czechoslovakia) it is easy to see the tremendous speed that transported this country in a few short years from the most orphaned outside circle of EC external relations to the innermost preferred sphere:

—In principle, as of 1 December 1988, Hungary had been freed from the remnants of discriminatory quantitative restrictions as a result of the agreement on cooperation and trade which went into effect on that day. With great cautiousness the EC had agreed to fully abolish these restrictions by 1995.

—As of 1 January 1990 the EC had abolished in one stroke the remaining discriminatory measures and extended to Hungary the Generalized Schedule of Preferences [GSP]. Hungary is being treated the same way as nonassociated (i.e. Asian and Latin American) developing countries as a result.

—1 January 1992 is the target date for giving force to the agreement on association which stipulates free trade on the basis of asymmetric criteria and extended cooperation; as a result of this agreement Hungary's status would come close to that of developing countries associated with the EC (and within that, the status of Mediterranean countries).

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Hungary is at the threshold of becoming associated with the EC. The question is whether in the aftermath of rapid improvements in our relations with the West European integration—after the extreme rush which lifted Hungary from the EC's discriminated outside circle to the preferred inside circle—association is a final outcome or if it only becomes a starting point for further, deeper integration. Considering the political changes that have taken place, it is understandable that primarily political criteria have been mentioned also in regard to the change in external economic orientation. Considering the path of integration left behind by the present members of the EC and now being travelled by more recent prospective members of the EC preceding us, the extent to which that path is open and advantageous to Hungary must also be

examined from an economic standpoint. Elementary conditions for integration with West Europe have been lacking in Hungary even in the relatively recent past. The difficulty of meeting substantive political and economic criteria has prompted a situation in which consideration of legal-institutional criteria and means for integration—the form in which political and economic matters ought to be molded—frequently precede, veil, and overshadow the substantive political and economic issues.

Becoming associated with the EC is the next step in Hungary's integration with Europe. No small semantic confusion surrounds this concept ("associate membership" is nonsense to persons familiar with the EC, and so is our "becoming attached" to the EC, which could be regarded as a synonym for joining, would it not be linked to an unrealistic close date, and so forth). The interpretation of concepts is uncertain in part because Hungary has not yet developed a strategy for integration with Europe. Escape from the collapsing CEMA region, a yearning for the dynamics and prosperity of the European center, or the need felt for a Western institutional reinforcement of political transformation do not add up to strategy, by far. The situation is made even more difficult by the regrettable fact that the EC has no strategy either for the new way of handling its eastern neighborhood. This mutual confusion could not be recognized as long as foreign policy actions hurriedly followed the events of an accelerated history. It became visible only after certain issues in ongoing negotiations for associate membership forced the various parties to show their strategic colors.

The EC began to construct its external relations as a customs union. For this reason the various steps of relationship can best be defined on the basis of the system that developed under the EC's trade policies. Certain elements of cooperation had been added to this system, while other areas of cooperation had been preserved by member states to fall under their own, respective national jurisdictions.

The new generation of so-called European agreements of association which the EC offers to its eastern neighbors reflects the EC's original thinking of late 1989 and early 1990 (as well as the priorities of the then partner countries). It offers to reinforce the political transformation in a spectacular fashion by establishing a prestigious institutional system (council on association, parliamentary cooperation, political dialogue, etc.); by consolidating the presently unilateral aid provided under the PHARE program in the framework of a bilateral contract; by providing for a long period of transition leading to the desired European integration, including the gradual realization of free trade in a 10 year period regarding services, trade, and the flow of capital and labor; and by other integrating elements to enter the process in the second half of the period.

In the meantime, however, European political transformation has transcended this model. Hungarian negotiators were told to elicit a promise for full EC membership,

but, for the time being, the EC is not willing to make that promise. Economic aid should also transcend the donor-based solution that had been put together in haste, and areas truly in need should gain emphasis (for example, by providing that the financial memorandum tied to the agreement include a specific financing program for quickly doing away with backwardness in transportation and communications, for the acceleration of privatization, the achievement of convertibility, and so forth). The impressive principle of asymmetric market opening should also become a reality in more sensitive areas (such as in the agricultural field and in the light industry).

The first publicly known disappointment in negotiations between Hungary and the EC occurred during the fall of 1991. France had the courage to ask a question which supposedly had also been on the minds of other EC member states (who no longer had to expose themselves following the French action). Notably: Has the association of the Central-East European neighbors been worth as much as the protectionist defense of the common agricultural market or of the declining textile sector? This rebuffing of the enthusiastic Hungarian negotiators last September prompted economists to do some further thinking. After analyzing the offers made by the EC thus far one could easily determine the following:

- Insofar as the economy was concerned, the community would essentially consolidate the unilateral preferential treatment and the PHARE program, i.e., it would barely go beyond the GSP and the level of aid provided at present, at the same time, however, the EC would expect Hungary—even if with a time delay—to reciprocate free trade on an increasingly broader scale and on an equal footing in the end, i.e., to fully and permanently liquidate import duties and quotas.
- Regarding long-term advantages of integration the EC has equally little to offer, e.g., it would not welcome Hungarian manpower, at the same time, however, it would draw unilateral advantages from the joint opening of the market (for example, in the field of banking and financial services).
- The political worth of the agreement of association also appears to be smaller than expected. It would not convey any kind of “membership” but would continue to place Hungary in the outer circle of the EC’s external relations, although in a much more favorable position than before, but still not within the innermost circle, i.e., not within the European Economic Region now being developed, but at or below the level of the Southern-Mediterranean countries which constitute the quasi-peripheries of the EC. No further steps could be guaranteed at that point.

#### Alternative Paths

It would be premature to criticize an agreement not yet consummated because negotiations could take a variety of turns and move away from the present situation. At the same time, however, one cannot avoid asking this

question: What other actual or potential solutions could be developed in addition to the for of association now being developed? Starting out from the above consideration we have established five possible scenarios:

(1) Present negotiations concerning Hungary’s association with the EC progress under the pressure of time, moreover in an atmosphere surrounded by political impatience unquestionably manifested by both sides. An adverse agreement should not be reached even if one could be consummated quickly. The most plausible solution would be to relieve the time pressure, i.e., to remove the 1 January 1992 deadline, and to continue with the steadfast representation of Hungarian economic interests. In this way the chances of reaching a globally asymmetric agreement would increase; such agreement would result in a fair, unilaterally advantageous final outcome from the standpoint of Hungary not only in terms of pacing the development of free trade, but with respect to the advantages provided and received as a whole, including agriculture and the textile industry, as well as economic cooperation and aid needed during the decade of the 1990’s.

(2) If an agreement of association pursuant to (1) above could not be reached, there would be no need for Hungary to hasten a further step beyond the present situation. The present situation is not at all disadvantageous! From a practical standpoint it ensures an unimpeded access to the market, and there is no shortage of aid and cooperative opportunities. At the same time the fact is that the EC is not providing the more valuable part of the present aid and cooperative opportunities in the framework of the 1988 agreement on cooperation and trade, but as a result of autonomous measures which supplement that agreement and which can be unilaterally revoked or amended at any time. Nevertheless, for Hungary to pay a high price for a small increment—the high price of fully reciprocal free trade, moreover, of accepting certain obligations related to integration which benefit the stronger party—does not appear as justified.

#### Internal Association

(3) A combination of the two alternatives discussed above is also conceivable. While retaining the advantages enjoyed under the autonomous form, or while consolidating (but not yet reciprocating) the same under the agreement on cooperation and trade now in force, political cooperation could be strengthened either as a result of realizing the provisions contained in the agreement of association, or by developing a new kind of internal association (affiliation). Under this new kind of cooperation a forum and a foundation would be established for the further expansion of the EC’s unilateral aid provisions. This path could be followed if the two other countries involved—Poland and Czechoslovakia—would act in concert with Hungary.

(4) The problem of association offering less than expected could also be resolved if in the end we replaced the present form of association with a higher level

relationship. The "EFTA path" provides such an opportunity; it would lead to the European Economic Region through an association with EFTA and through subsequent steps of membership, a path presently followed by Finland, Switzerland, and Norway. From a substantive standpoint, an EFTA membership would not represent a big step as compared to the Goteborg Declaration and the presently negotiated free trade agreement. However, after Austria and Sweden join the EC, the rest of the EFTA states—and perhaps even the EC itself—might be interested in seeing to it that the EFTA survive as an organization and that it gain strength by acquiring new members. Undoubtedly, the most suitable new members would be the "Visegrad Three" countries which showed the path for Central-East European transformation. This solution would be based on the presumption of a rather broadly based European political consensus involving the EC, the EFTA as well as the "Three" countries mentioned above.

(5) And finally, a possible multilateral alternative also exists. The rapid spread of free trade relations is a new phenomenon in the framework of European economic cooperation. Hungary, Czechoslovakia, Poland, Turkey, and even Israel are presently negotiating about becoming affiliated with the industrial free trade zone created by the EC and EFTA. At this moment at least eight parallel negotiations are underway in Europe, seeking solutions to identical problems. It would be consistent with logic to achieve a common and uniform settlement of the common substantive issues dealt with in the course of these negotiations, (such as the various rules on competition). In order to provide such a multilateral character to free trade it would be necessary for the two leading partners—the EC and EFTA—to develop a common external dimension. This could be accomplished by establishing an external jurisdiction to the European Economic Region to be established by the EC and EFTA relative to free trade and to related trade regulations. The resulting free trade zone would include 23 to 24 countries at the outset already. Its core would be the EC, which constitutes a customs union, and which could systematically accept countries that gained sufficient strength at the integration stage of free trade, or which have grown beyond that stage. This zone could gradually expand to cover the Southern European and East European states which, for the time being, are on the outside, and with the passage of time even the Soviet republics that emerge as independent states and independent customs jurisdictions.

### The First Stage

As a result of mutual political endeavors, a agreement of association between Hungary and the EC is almost unavoidable in the present situation. The economic content of such an agreement suggests a relatively small step forward, sort of a "zero solution," which also results from political pressure. We may regard this step as part of East Europe's belated, and therefore accelerated, integration.

The first three scenarios described above lose their meanings if an agreement of association is consummated this year. On the other hand, as a legal-institutional instrument, this agreement would also constitute the starting point for a higher level of integration, it would be the point of origin in a new system of coordinates that determines our path in Europe. Long-term strategy would have to be developed for further steps; in this regard the fourth and fifth scenarios should be considered or should be given further thought.

In the course of free trade negotiations with the EC and the EFTA, Hungary has been confronted for the first time with the challenge and level of requirements presented by European integration. Free trade is the first step in the integration of a market economy which must not, by far, be underestimated from our standpoint. Its system of rules presumes the existence of a functioning market economy. Hungary will be able to comply with certain conditions (e.g., the regulation of public procurement, the transparency of state subsidies, etc.) only after a certain transition period. Compared to these conditions, the customs union established by the EC, and in particular, the established goal of achieving an economic and monetary union stand at an even great distance, barely visible from the standpoint of Hungary today.

The benefits and losses that may be expected as a result of becoming part of the European integration can be recognized by analyzing the experience and preparedness of other European countries. From Hungary's standpoint the lessons learned by Portugal, Ireland, and Greece, the investigation conducted by Finland and the preparations made by Austria may be educational. Austria's actions are also important from the standpoint of laying out our own path to integration. European integration is a long-term undertaking, to which a lasting domestic political consensus that transcends election periods is also indispensable.

Insofar as European integration is concerned, Hungary has only reached the stage of stating its political intent, one that underscores the final goal with a simplicity characteristic of all beginnings. Steps of a strategic dimensions that lead to the achievement of this goal, the economic and political realities of these steps, and the legal-institutional means related to these steps have yet to be developed.

### SZDSZ's Internal 'Crisis,' Loss of Popularity

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in Hungarian 12 Oct 91 pp 6, 8

[Article by Endre Babus: "Hedgehopping: Crisis in the Alliance of Free Democrats"]

[Text] Even though the faction leaders—sharply attacked just one week before—were given a vote of confidence by an overwhelming majority of SZDSZ [Alliance of Free Democrats] parliamentary representatives on Monday, a solution to the leadership crisis is not expected until the November meeting of delegates. Right

now it seems as if the choice for new SZDSZ chairman is between Alajos Dornbach, who stands close to the present party elite, and Peter Tolgyessy, who wants to represent the party rebels.

It began with Ottília Solt. Gaspar Miklos Tamas, Istvan Eorsi, and Tamas Bauer then followed. Representing various viewpoints, key figures of the former democratic opposition have not hesitated in recent days to distance themselves from Peter Tolgyessy, claimant to the throne. Causing a special stir was the statement of G.M.T., whom many consider, together with Tolgyessy, part of the SZDSZ's conservative wing. Furthermore, some people have labeled the philosopher representative a disciple of the former faction leader. Last autumn, after all, in a memorable article in the columns of BESZELO, G.M.T. pleaded the merits of the faction leader who, surprisingly, had been relieved of his office. For a short time after the resignation of Janos Kis, it did not seem utterly inconceivable, even to an outsider, that Tolgyessy, who aspires to the office of party chairman with the possible help of G.M.T., would attempt to prove democratic opposition support in the course of the power game. Again, however, it turned out that the solidarity which evolved in the underground years endures robustly to this very day in members of the former BESZELO circle, so much so that, in the end, it was G.M.T. who most trenchantly rejected the idea of selecting Tolgyessy as chairman, saying it would plunge the SZDSZ into extreme peril.

Despite everything, it is extremely uncertain how the SZDSZ leadership crisis that erupted last week will be resolved. Some say that the chairman's departure would get the ball rolling: It is conceivable that some of the party's parliamentary faction members, who supposedly took off during the parliamentary elections at the express urging of Janos Kis, will sooner or later retire from parliamentary work. Such a wave of resignations is expected to significantly change the intrafaction balance of power. Disciples of Ivan Peto, who stands close to the party chairman, and of Tolgyessy, who stands behind the SZDSZ rebels, are present in parliament in nearly the same proportion as before—this is suggested by Peto's very narrow victory, 39-32, over his predecessor in February's election of faction leader. Peto and company received an overwhelming vote of confidence early this week, however, so the November election of chairman may be Tolgyessy's only opportunity for a "big comeback." The possible acquisition of this post will hardly satisfy Tolgyessy, who many say harbors a desire for revenge. Sooner or later, the 35-year-old politician will presumably set his sights on the office of faction leader, even though he recently announced—contrary to his earlier standpoint—that he does not support the occupation of both offices by one person.

In any case, rumor has it that the current SZDSZ leaders are searching, full steam ahead, for a candidate for chairman who can integrate various political trends and surmount interpersonal conflicts. In this connection, the name of Istvan Szent-Ivanyi is often mentioned as a

possible solution. The 33-year-old representative (still young enough to be in FIDESZ [Alliance of Democratic Youth]) and vice chairman of the parliament's Foreign Affairs Committee is a politician who enjoys a reputation for hard work and levelheadedness, even though he certainly cannot be said to have a people's tribune makeup.

According to another viewpoint, the Free Democrats in the future must not renounce the aura that is exclusively conferred upon the party by a personality who belonged to the Kadar era opposition. In this connection, the name of Budapest's mayor was the first to circulate last week as a potential candidate for chairman. This idea, however, has already been criticized by many who say it is undesirable for one person to accumulate many jobs. At the same time, others, alluding to the example of Parisian mayor Chirac, do not object if the opposition politician who runs Budapest also fills the party's highest office. A formidable argument against Demszky's candidature, however, is the meteoric drop in popularity the mayor has suffered in recent months. Found to be the country's second most popular politician early this year, Demszky has meanwhile plunged to eighth place in the list of eminent politicians. It is still true, however, that as an SZDSZ figure he is known and liked by the public nationwide.

The names of three other potential candidates for SZDSZ chairman emerged early this week. One of them, parliamentary assistant Imre Mecs, ran for the office of both chairman and faction leader last year but received only a fraction of the votes—for example, 5 percent in the election of faction leader. It seems doubtful that he can improve his showing appreciably this year. The claim to fame of another candidate, 41-year-old Gabor Kuncze, is that he, like several members of the current government, was educated by the Piarists. The same is true of the third candidate, current parliamentary vice chairman Alajos Dornbach, who at present seems to be the only serious challenger to the former faction leader. Because of his professional training and spotless reputation, the 55-year-old politician, a former defense attorney for the democratic opposition, may be a formidable rival for Tolgyessy—provided the latter is not forced to withdraw by press attacks.

The SZDSZ leadership crisis is closely linked to the party's topsy-turvy state. Disappointment in the party by some Free Democratic voters was probably unavoidable. Sympathizers who live on the fringes of society and who are receptive solely to anticommunist electoral propaganda were presumably disappointed when SZDSZ and FIDESZ, which stubbornly insisted on liquidation of the state party, did not subsequently demand prosecution of former MSZMP [Hungarian Socialist Workers' Party] functionaries. The Free Democrats attempted such a gesture last summer when Peter Hack—no name was mentioned but the allusion was clear—raised the issue of former Prime Minister Miklos Nemeth's criminal



responsibility in connection with the national debt, but afterwards the SZDSZ consistently said no to a political witch-hunt.

Then again, the inconsistency displayed during the last year and a half by the SZDSZ on one basic political issue—the case of compensation—was utterly unacceptable to SZDSZ sympathizers, who expect to preserve normal relations. At first, the Free Democrats turned an essentially deaf ear to partial compensation for former proprietors: This in itself was difficult to reconcile with the fundamental political principles of a party that raises the banner of social justice, legal security, and sanctity of property. Later, however, the SZDSZ made a 180-degree turn and actually improved upon the government's compensation package plan. In light of earlier counterarguments, this step seemed to be an ordinary populist move suitable to showing whether the SZDSZ assumes a position of principle on controversial issues in parliament.

The manner in which Free Democrats ran some local governments, including those of several capital city districts, can be regarded as a series of setbacks. The *modus operandi* of new local authorities was often just as unfathomable and unverifiable to people as it was in the "council days." In addition, while SZDSZ politicians in parliament protested against the alleged injustice of partial compensation for former proprietors, the local Free Democratic representatives in power, pursuing a policy—it changed from district to district—of capriciously selling apartments, concocted injustices far greater than compensation for months in various capital city districts.

The SZDSZ's chaotic state is suggested by the fact that in recent months members have abandoned in droves an organization that suddenly swelled in late 1989 and early 1990. Rumor has it that no authentic political life evolved in many local groups: The party program often consisted of lectures by national leaders from Budapest. As a result of all this, the question of defining the party's organizational character has recently been raised. In plain English, what is the SZDSZ going to do with its members? According to one viewpoint, the alliance must become an electoral party it is necessary to activate just every four years. However, most of the leaders insist that the 800 local cells of East Europe's largest liberal organization should be kept alive because it may be the only way in local politics to "exhibit" the liberal alternative whose elaboration has not always succeeded on the national level.

And what changes can be expected if by chance Peter Tolgyessy, riding the shoulders of dissatisfied SZDSZ members, attains a position of authority at the November meeting of delegates? In light of the former faction leader's makeup, it is reasonable to assume that in this case the Hungarian penchant for engaging in politics will swell in the opposition. Indeed, it is possible that the party squabbles and the heat of political battle will somewhat subside. In fact, after months of trench

warfare, the SZDSZ and the MDF [Hungarian Democratic Forum] may reach some spectacular compromises. In all likelihood, Prime Minister Antall has much to gain if Tolgyessy, a congenitally cliquish politician, reassumes a position of authority in the SZDSZ.

### **Constitutional Court on Presidential Powers**

*92P20044A Budapest MAGYAR KOZLONY  
in Hungarian No 103, 26 Sep 91 pp 2,111-2,125*

[Summary] MAGYAR KOZLONY in Hungarian No. 103, 26 September, carries the full text of Constitutional Court decision No. 48 (26 September) and summaries of three petitions that prompted the decision, each of which pertained to the powers of the president of the Republic. The following report further summarizes the three petitions and summarizes the corresponding rule of law.

### **Petition of the Minister of Defense on Direction of Armed Forces**

The minister of defense asked the court to interpret constitutional provisions concerning the direction of the Armed Forces "in times of peace" and to determine the mutual relationship between the institutions and organizations enumerated in Paragraph 40/B Section (3) of the Constitution.<sup>1</sup> The petitioner argued that in times of peace the direction of Armed Forces operations was under the exclusive authority of the cabinet and that neither the National Assembly nor the president could exercise their respective authorities by making decisions which directly affected the functioning of the Armed Forces, other than authorities specifically provided for by law.

### **Constitutional Court Decision on Direction of Armed Forces**

In its argument the court limited the scope of its opinion to apply only to the National Assembly, the president, and the cabinet, and excluded issues pertaining to the National Defense Council (hereinafter: council), the president's emergency powers, and to the authority of the minister of defense (hereinafter: minister). The court justified this exclusion on grounds that the council only exercised delegated authorities, the president's emergency powers could not be exercised in times of peace, and that ministers had no powers independent from the cabinet. The court defined "times of peace" as a condition when there was no war or extraordinary or emergency situation. "Armed Forces" was interpreted to mean the Honved Forces and the Border Guards, pursuant to Paragraph 40/A Section (1) of the Constitution.

In applying a strict constructionist approach the court viewed the Paragraph 43/B Section (3) provisions referred to in the petition in light of the expressed powers granted to the National Assembly<sup>2</sup>, the president,<sup>3</sup> and the cabinet<sup>4</sup>; described the kinds of delegations of authority that could or could not be made without amending the Constitution; set limits to legislative and presidential powers and stated that the "commander in



chief" title of the president did not convey any separate and specific constitutional power; and concluded that the direction of the functioning of the Armed Forces was within the authority of the branch that exercised executive power. Except for powers specifically granted to the National Assembly or the president by the Constitution, all authority regarding the direction of the Armed Forces was vested in the cabinet; the grant of power and authority to the legislature, the president, and the cabinet regarding the Armed Forces must constitute a continuum; and the authority of the cabinet in this regard should not be abridged by law. At the same time, however, the court added that "consistent with the separation of powers principle and with the legal status of the president, the scope of authority of both the National Assembly and the president could be expanded in principle, provided that the cabinet's scope of authority was left intact."

The court also discussed at length the distinction between the terms "direction" and "leadership." The court indicated that "direction" implied a status outside of the body subject to direction, while leadership meant the top executive position within a body subject to direction. Based on this distinction it concluded that "under the Constitution, no leadership authority could be established independent from the authority that provided direction. The commander of the Honved Forces (a military position not synonymous with the president's status of being the 'commander in chief') can exercise his leadership authority only in a manner consistent with the actions of bodies having authority to direct, and as part of, and implementing such actions."

#### **Petition of the National Assembly on Appointment Powers**

The National Assembly Committee on Culture, Education, Science, Sports, Television, and the Press petitioned the court to interpret the president's appointment authority established by the "law on appointments" in the context of Paragraph 30/A Section (1) Subsection (m) of the Constitution<sup>5</sup> and in regard to Paragraph 30/A Section (2) of the Constitution<sup>6</sup> requiring the prime minister's countersignature, and specifically in regard to the following questions: Would it be within the president's power to refuse an appointment if the appointee was appropriately nominated? Could he question the need for a given office? In making his decision, would the president be obligated to consider the position taken by the National Assembly committee in the course of legally mandated hearings regarding a candidate? Should the president's discretion extend to utilitarian and current political considerations beyond compliance with legal requirements? At what point does the cabinet incur a responsibility for presidential actions which require the prime minister's or a minister's countersignature?

#### **Constitutional Court Decision on Appointment Powers**

The court held that the prime minister's or a minister's countersignature is a requisite condition for the validity

of the president's action. By countersigning a presidential appointment the cabinet accepts political responsibility vis a vis the National Assembly for the president's action. The president is obligated to refuse an appointment or approval if, in his view, legal requirements had not been met, but aside from that, he could refuse an appointment only if he had substantial grounds to believe that the appointment of a nominee would gravely disturb the democratic functioning of the state organization. In rejecting an appointment the president must consider the person of the appointee; in approving an appointment he must consider solely the substantive content of the appointment. The opinion expressed by a parliamentary committee in the course of a hearing is not binding with respect to the president's decision.

#### **Petition of Minister of Justice Concerning Scope of Inviolability of President**

The minister of justice petitioned the court to interpret the meaning of Paragraph 31/A Section (1) of the Constitution<sup>7</sup> concerning the inviolability of the person of the president which must be protected under criminal law, and specifically, whether the constitutional requirement to provide protection under criminal law should be construed in a narrow sense with respect to the life and physical safety of the president, or more broadly, extending to the honor and dignity of the president.

#### **Constitutional Court Decision Concerning Scope of Inviolability of President**

The court held that the inviolability of the person of the president was part of his constitutional status. As a result of his inviolability the president was not accountable to the National Assembly in a political sense, and his legal responsibility was limited in scope pursuant to certain specific provisions contained in the Constitution. Further, the court held that "Protection of the president must be provided for by law. The contents of such law must be established at the discretion of the National Assembly."

Accordingly, the opinion itself did not directly respond to the specific question raised by the minister of justice, i.e., whether protection under criminal law should extend to cover the president's honor and dignity—a matter that obviously has free speech implications. The argument supportive of the opinion, and which is not part of the opinion itself, concludes as follows: "If the legislature decides to provide increased protection of the honor and dignity of the president, the Constitutional Court calls attention to the fact that in doing so the legislature must not restrict the substantive content of the right to the free expression of opinion. The exercise of the right to freely express one's opinion—a matter indispensable in a democratic society—may be restricted only within the limits of the Constitution.... Standards restricting this fundamental right must be proportionate (to the threat presented by the exercise of this right)."

## Footnotes

1. Paragraph 40/B Section (3): "The National Assembly, the president of the Republic, the National Defense Council, the cabinet, and the minister having jurisdiction shall have exclusive authority to direct the Armed Forces within a framework specified by the Constitution and in separate law."

2. Powers of the National Assembly. Paragraph 19.(3):

—"Authorize the declaration of war and the search for peace.

—"Declare extraordinary conditions and establish the National Defense Council in case of hostilities or if the imminent threat of an armed attack by an alien power exists (threat of war).

—"Declare emergency conditions if armed actions aiming for the overthrow of the constitutional order or for the acquisition of exclusive power take place, or if grave, violent actions are committed with arms or by armed persons threatening the safety of the lives and property of masses of citizens, and if natural disasters or industrial accidents occur (hereinafter summarily: emergency situation).

—"Render decisions concerning the deployment of the Armed Forces abroad or within the country."

3. Powers of the President. Paragraph 29: "The president of the Republic shall be the commander in chief of the Armed Forces"; Paragraph 30/A: "Shall appoint and promote generals... all actions taken, and orders issued by the president of the Republic under Section (1) above shall be countersigned by the prime minister or by the ministers having jurisdiction."

4. Authority of the Cabinet. Paragraph 35.(1): "The cabinet shall... direct the functioning of the Armed Forces, the police, and other law enforcement organs."

5. Powers of the President. Paragraph 30/A Section (1)(m): "The president of the Republic... shall render decisions in all cases placed under his authority by separate law."

6. Powers of the President. Paragraph 30/A Section (2): "... all actions taken, and orders issued by the president of the Republic under Section (1) above, shall be countersigned by the prime minister or by the ministers having jurisdiction."

7. Powers of the President. Paragraph 31/A Section (1): "The person of the president of the Republic shall be inviolable; his protection under criminal law shall be provided for by separate law."

## Proposed Law on Cooperatives Criticized

92CH0123B Budapest FIGYELO in Hungarian  
10 Oct 91 p 35

[Article by Dr. Andras Zsohar, secretary of the National Association of Agricultural Cooperative Members and Producers: "The All-People Game Continues To Roll; Cooperative Law Without Cooperatives?"]

[Text] One cannot tell at present the extent to which the law on cooperatives is able to resolve the large number of contradictions that exist under the overall heading of cooperative management. The Economic Committee of parliament has favorably reported the legislative proposal and has pronounced it to be suited for general debate. Dr. Andras Zsohar, the secretary of the National Association of Agricultural Cooperative Members and Producers [MOSZ], whose article is presented below, thinks differently.

The new law on cooperatives and the interim law to give force to the new law on cooperatives had been submitted to the parliament in May 1991 with a request for urgent consideration. Only the Law on Compensation has been adopted since, even though interest groups representing cooperatives recommended and expected that parliament adopt the three mutually related laws on compensation, cooperatives and land, and the order of the agricultural marketplace simultaneously.

Instead, based on various political considerations, and in part due to the incomplete character of the Law on Compensation, the cabinet pulled back the interim law and forced through parliament the so-called moratorium law, which prohibits the transformation of cooperatives into business organizations as well as the sale of assets.

## Hands Off

Legislative Proposal No. 2691, which had been the subject of general debate by the Economic Committee on 2 October, and which the committee had deemed to be appropriate for general debate by the plenum, includes flaws that result from proposals advanced without prior professional consultation. Under the pretext of urgency the cabinet had not sought the views of interest groups, and this violates the provisions of the legislative law as well as of the existing cooperative laws.

A changed concept developed by experts of political parties—adopted posthaste by the cabinet—appeared to have reverted to the ownership conditions that prevailed in cooperatives in the days of the party state. In contrast to the previously held viewpoint, the government no longer wants to transfer all property owned by cooperatives to the private ownership of members. Instead it wants cooperatives to develop so-called indivisible properties amounting to 10 percent of the property in agricultural and industrial cooperatives and to 30 percent in consumer cooperatives.

They justified the order to establish indivisible shares of property by claiming that the present memberships of

cooperatives had accumulated only a certain part of today's assets and that the rest had been established by previous generations. The arguments supportive of this action also include statements according to which the indivisible share of property serves as collateral for the social security of those who turned out to be the losers in the ongoing transformations. This property would enable the provision of benefits which had been offered earlier by cooperatives, but which could not be guaranteed under the new circumstances.

But the proposal has failed to clarify who would exercise dispositional rights over the indivisible property. The wording of the law on cooperatives suggests that this could only be a function of the membership as a whole.

In contrast, however, the proposal advanced at the Economic Committee session provides for the "withdrawal" of this property from the cooperative membership and for its use for separate central governmental purposes.

In order to dispel suspicions about renationalizing property they emphasized that this share of property would primarily be used for the purposes of cooperatives, but the cooperative law fell short of clarifying the manner and scope of such use.

Cooperative members have learned to believe by now that in a democratic constitutional state and under a system that proclaimed a market economy they no longer have to deal with centralized indivisible property that has once been forced upon them. Cooperative members continue to wait for the transfer of accumulated cooperative assets to their ownership pursuant to conditions established at general meetings, to be able to dispose freely over such property, and to operate such property on an individual, corporate, or even cooperative basis. And if they choose a cooperative form for the operation of property, that form must not be more disadvantageous than any other form of entrepreneurial operation. And further, cooperative members also expect to make decisions in the framework of their own bylaws concerning social welfare and solidarity funds, and the extent, source, and operating systems of such funds.

#### **Restrictions ...**

The legislative proposal also provides conditions for the issuance of individual deeds to the divisible property. Showing no confidence in the interest of, and self-governance by, the membership, the proposal states that 50 percent of the divisible property must be distributed in due regard to the time a person had been a member of the cooperative. This provision seemingly protects the interests of retired cooperative members; in reality, however, it could create extreme situations in which the number of members from the younger generation outweigh the number of retired members, thus placing the distribution of property on a forced track. The other weakness of the proposal is that it disregards a constitutional court decision, which places decisionmaking

authority over the distribution of property exclusively in the hands of general meetings.

The 50-percent restriction would also violate acquired rights, because based on the previous law, 50 percent of the property and 100 percent of the related increment had already been distributed at general meetings. Revocation and revaluation of property vouchers already issued would cause unpredictable tensions. Instead of doing so it would be more useful to take into consideration the contribution each group of members has made to the accumulated property, in proportion to the number of years worked, passage of time, income, property contributed, etc.

The greatest epochal innovation in the legislative proposal is a requirement according to which cooperatives must obtain an outside evaluation if they cease to exist, transform into a business organization, or if members leave or decide to divide the cooperative, unless a unanimous or two-thirds majority supports the property valuation decision. Accordingly, the legislative proposal would substitute the internal appraisal of property with an appraisal made by an outside expert, and would mandate auctioning of the property if the outside appraisal was rejected by the members.

Essentially, the auctioning process already known from the Law on Compensation would protect the members of the cooperative in the minority against those in the majority. A vote of more than 50 percent of cooperative members leaving a cooperative would be required to mandate auctioning. Groups leaving a cooperative would auction away a cooperative's property with a snowballing effect, and one could bid at these auctions using shares of business or money.

#### **... Instead of Courts**

Outside bidders could participate at auctions if in the course of auctioning the value of cooperative property fell below its recorded value. The all-people village game would certainly divert attention from the missing agricultural incentive conditions (i.e., missing subsidies, favorable tax and credit terms), and from the fact that markets are disorganized and that the merchandise cannot be sold. Therefore the common property would be taken apart by small groups in a campaign-like fashion. To the greater glory of constitutional statehood, an auctioning process would replace the opportunity to petition independent Hungarian courts, because agricultural and industrial cooperative groups in disagreement with the distribution of property could only auction and could not argue their case in court.

The greatest "glory" of the legislative proposal is that although it only provides temporary rules for cooperatives, by virtue of the Compensation Law it enables certain former cooperative members who had been members for at least five years to also establish claims for property. The proposal's sponsors believe that they

have served the interest of piece in villages by limiting the autonomy of cooperatives to the detriment of cooperative members.

Fulfillment of the legislative requirement for mutually corresponding proportions in the various branches of cultivation and in the per hectare average gold crown value of various land banks (members' partial ownership share land bank; land bank calculated at a 30-20 gold crown value; the state land bank) should, in itself, cause much concern. If, in addition to these requirements, certain other requirements must also be enforced, it becomes apparent that legal provisions of this nature cannot be implemented. Such additional requirements would be mandates to leave forest and grazing land property in one piece to permit better utilization, to ensure the functionality of melioration and irrigation facilities, to ensure that lands assigned to winning bidders remain close to the inner areas of villages, to provide proportionate allocations among settlements from various land banks, and to leave protected natural areas in one piece.

The authors of the legislative proposal anticipate conflicts, because they are establishing local interest reconciliation forums, so called. They want to subordinate the operations of the land settlement committees to local governmental bodies. This system would actually replace the functions of independent courts, and has once already been rejected by parliament. This forum would enter comments in regard to the potential cultivation of lands designated by cooperatives. In case of dispute one could appeal to the county damage claims settlement office, and ultimately to the national damage claims settlement office.

Accordingly, the all-people game would continue to roll on. The question is whether from an economic standpoint cooperatives would be capable of functioning until 30 June 1990, the day when cooperatives must submit their bylaws to courts of registry, and whether new cooperatives which agreed to carry the burden of competitive disadvantages weighing down the cooperatives would be formed at all.

### Utilization of Foreign Government Loans Analyzed

92CH0112F Budapest FIGYELO in Hungarian  
10 Oct 91 pp 1, 6

[Article by Ervin Zsubori: "Credits Placed in Reserve"]

[Text] The Hungarian economy needs a significant injection of capital in order to recover from its crisis, and a substantial part of this capital must come from abroad. Credit offerings guaranteed by foreign governments also constitute potential resources in addition to the pleasing increase in the influx of operating capital and financial credits acquired by the central bank. No small amounts of money are involved in such credit offerings—those listed in the table on page 6 alone amount to more than

\$2 billion. But the utilization rate of these opportunities is extremely low. This article attempts to find the causes of this low use rate.

What have we done with these offerings? In reality: nothing. But by all means we did far less than what the sober mind would consider as needed by the Hungarian economy in these days when resources are in short supply. As we have learned from MNB [Hungarian National Bank] Division Chief Bela Sandor, only three credit agreements could be regarded as operational at present, out of the several dozens of offerings we could take advantage of in principle. The three functioning credit agreements are the Bavarian and the Baden-Wuerttemberg consortium credit, to which each member contributed 250 million German marks [DM]; the \$100 million Finnish Government credit; and the \$150 million Swedish export credit guarantee. The utilization rate is rather low in all three instances.

According to the MNB, only \$25 million had been distributed from the Finnish credit fund, and about \$40 million from the Swedish export guarantee had been used. Insofar as the two German credits are concerned, only 18 joint-venture applications had been approved totaling about DM150 million. Firms operating in the two German territories which have joint-venture relationships with Hungarian partners are eligible to apply for these funds, with the Bayerische Landesbank and seven different Hungarian banks acting as intermediaries. The actual amount already utilized is about DM23 million. In the framework of a similar structure the Sud-Westdeutsche Landesbank had authorized the disbursement of DM60 million to 12 joint ventures; as of the second half of August DM40 million of this amount had actually been disbursed.

An additional dozen of credit agreements amounting to DM40 million are being negotiated with the German partners. It is curious that in a recent negotiating session the financial professionals from Bavaria and Baden-Wuerttemberg expressed satisfaction over the utilization rate of the funds they granted: They did not even expect to see a greater interest. Even though in principle the opportunity to disburse the German credits expires as of the end of this year, it is reassuring that an agreement to extend the expiration date of these credits is imminent, according to Bela Sandor.

A French Government loan also constitutes a theoretical possibility, but thus far no disbursements have been made. The final touches are yet to be made in regard to the Italian offer. The credit granted by the European Investment Bank differs somewhat from the rest because in the framework of this loan the bank has agreed to direct project financing. According to latest information the Hungarian Telecommunication Enterprise will also receive \$120 million from these funds to develop the telephone network. The fact that we also succeeded in calling down certain funds from the 5 billion yen [Y] credit agreed upon last year by the MNB and the Japanese Eximbank also represents good news: Hermes

AFESZ [General Consumer and Marketing Cooperatives] has received a Y600 million loan to modernize its motor pool by purchasing Ford tractors.

Okay, but what has happened to the rest of the money? How come the first three funds amounting to \$0.5 billion has not yet run out? Well, the central bank's competent official regards the situation of the economy, notably the economic decline, and above all, the weakening of the inclination to invest as the basic problem. In simple terms, most entrepreneurial ventures are unable to invest in developed technology, because they cannot accept even the relatively easy conditions attached to these loans. Interest in these loans is also moderated by the restricted use of these funds, e.g., the creditor stipulates that the loans granted must be used solely for the purchase of Finnish or Swedish investment goods. Such restrictions are fully understandable because, contrary to political platitudes, the purpose of these offers is not so much to assist the Hungarian economy which has "redeemed itself," but much rather to support the exporting ability of enterprises operating in the creditor countries, Bela Sandor adds.

The situation is not likely to be this simple, however. One must recognize that even though the central bank should be reaching such agreements (which would be favorable because the creditor bank would not have to assume a commercial risk, but instead, only a "country risk" as a result of which the market interest rate payable by the MNB could be lower by between 4 and 6 percentage points as compared to interest that has to be charged based on agreements reached with commercial banks), the actual risk is assumed by Hungarian commercial banks to which the central bank transfers the loan funds, and which, in turn, grant loans to entrepreneurs. To top it off, this risk is rather high considering the fact that these loans are granted for minimum five-year terms, and not infrequently for nine-year terms. Accordingly, if viewed purely from a bank management point of view, the argument which holds that it is impossible to tell what is going to happen to an enterprise in a year, let alone in nine years, comes as no surprise.

Long-term evaluations—in the making of which banks do not have too great experience anyway—are made even more "difficult" by the fact that the grant of these loans is generally tied to a condition according to which commercial banks could realize a maximum of two percentage points in the form of added interest, while in most instances financial institutions earn between five and eight percentage points of interest in the course of conveying "normal" loans. Considering this situation it is no longer so incomprehensible why banks do not propagate these opportunities loudly enough, and why they are so stringent in judging feasibility studies.

This cause is not being helped by the fact that rendering these "politicians' credits" operational, consummating the specific agreements is left to the central bank, which would really like to free itself from this function. The central bank claims that this is really not a central bank function, the MNB's function is to preserve the worth of the forint. One way the central bank performs this function is by pursuing a tough monetary policy, and these credit structure appear in an unfavorable light from the standpoint of monetary policy. A restrictive economic policy and a consistent regulation of the volume of money regards in these loans as money that loosens up the monetary rigor, funds, the effects of which cannot be calculated in advance and which therefore, in part, uncontrollably increase the domestic money supply.

In addition, most of this increase in the domestic money supply takes place in the form of foreign exchange, which represents purchasing power for the importation of goods, and which carries the potential of threatening the balance of payments. This threat does not exist, of course, if funds borrowed from these sources are utilized for export production; in such instances the opposite is true. But the MNB no longer has the mechanism to exert pressure in this direction. The central bank, but in reality the commercial banks, can no longer specify investment purposes to entrepreneurs and for this reason caution appears to be the better choice. From a collection standpoint the most secure funds are those which have not been lent out....

What then is the solution? How could the interest of the productive sphere and of the monetary sector be brought closer together? It would be difficult to provide an unequivocal answer to these questions today. One path that could obviously be followed would be for the state to assume at least part of the risk assumed by commercial banks, thus making these loans more accessible. It could do so based on economic strategy considerations, to enhance the development of entrepreneurial ventures and the influx of modern technology, thereby advancing structural transformation. But in the present situation of the state budget the funds needed to accomplish this would be hard to come by.

On the other hand, one should welcome a proposal deemed as desirable by the central bank which calls for cooperation among the affected interests and organizations—including the state budget, the Ministry of Finance, and primarily the local governments and various professional organizations of entrepreneurs—to establish a guarantor institution whose function it would be to underwrite part of these risks. This institute would take part in organizing, managing, and propagating these ominous government loans, and this could provide some impetus to the long-awaited start of investments.

## Foreign Credit Offerings for Development Purposes

Source	Amount (in millions of dollars)	Purpose, Expiration
Bavarian and Baden-Wurttemberg Consortium Bank Loan Fund	330 (DM500 million)	Machinery procurement by joint ventures prior to the end of 1991
Finnish Government Loan Fund	100	Finnish investment goods prior to 1993
Swedish Export Credit Guarantee Fund	150	Swedish investment goods prior to March 1992
French Government Loan Fund	360	French investment goods, for about three years
Italian Government Loan Fund	175 (200 billion Italian lire)	Italian investment goods
Japanese Government Loan Fund	500	Joint enterprises, for three years
European Investment Bank Credit Fund for Polish and Hungarian firms	1,100 <sup>1</sup>	

Footnote 1. Of this: anticipated Hungarian share, approximately 300.

*Enterprise investment projects based on competition.*

**Industry Minister Bod on Protectionism**

92CH0112D Budapest FIGYELO in Hungarian  
10 Oct 91 pp 1, 17

[Interview with Peter Akos Bod, minister of industry and commerce, by Erzsebet Eller; place and date not given: "Industry Must Be Protected"—first paragraph is FIGYELO introduction]

[Text] The 15-16 percent drop in industrial production provides a serious argument in favor of protecting this branch of the economy. Such protection, however, is not synonymous with keeping alive noncompetitive enterprises and activities. Our reporter asked the minister of industry and commerce about governmental functions related to the protection of industry.

[Eller] While researchers are talking about a full decline of the economy, and within that of industry (FIGYELO No. 31, 1991—Marton Peto's industry prognosis), it appears that politicians are optimistic....

[Bod] Although I, too, was a researcher, but in this instance I think that some research institutes are playing a political game rather than helping professionals to see clearly. A specific example for this situation is the fact that at a time when their predicted 50-percent inflation rate had failed to materialize, they came up with a statement about an industrial collapse. I do not know what to do with these "expert opinions." Notwithstanding this fact, declining industrial production is a fact, our figures also show a 15-16 percent reduction. Except for the fact that I do not get headaches from 10 percent of this decline. Is the defense industry collapsing? Indeed it is. But did we not say that we wanted peace? We said that we needed no tanks and guns.

[Eller] As long as your head does not hurt because of that 10 percent, let us talk about the remaining 5-6 percent, which according to other sources looks more like 8-10 percent. It could be that the researchers were playing a political game. But are enterprise leaders also doing the same—the people regularly questioned by Kopint about

their own situations? According to the latest survey conducted at the end of summer they never before felt that their market and financial opportunities were this bad....

[Bod] Are you asking my opinion or are you also playing the political game? Because I have no time to play the political game.

[Eller] Well then let me ask this question in a different way. Does the IKM [Ministry of Industry and Commerce] consciously recognize the need to avert a crisis or does it regard an evolutionary program as feasible?

[Bod] Averting the crisis, managing the crisis, as well as opportunities for evolution and development are jointly present in the Hungarian economy. Crises must be quickly averted in enterprises which have long-term market prospects but in which production has been disturbed by something. We, in contrast to other ministries, truly believe that such enterprises should receive central assistance during the transition period. Such fields include the pharmaceutical industry, which has a valid \$300 million contract in hand for deliveries to the Soviet market, but the entrepreneurs in this field experience a severe financial crisis because letters of credit have not yet been opened. Since 30 percent of Soviet pharmaceutical consumption had been supplied by Hungarian industry before—and not because we are optimistic in this regard—we feel that these letters of credit would be opened shortly. I have in hand letters from pharmaceutical manufacturers to the prime minister in which they request government guarantees to cover their exports. I will submit these to the cabinet with my support.

Another group of enterprises already experiences crisis. This cannot be denied, and it is not worth denying this; moreover, one hopes that it is going to be possible to manage this crisis and to maintain the extent and form of crisis within existing limits. The foundry, mining, and textile industries are part of this group. There is a need for these branches of industry, but certainly in smaller

proportions than they now exist. I do not wish to discuss the theory of profiting from crises (the subject here is Karl Marx's and Schumpeter's creative/destructive theory), but I want to call attention to the purifying effects of crises. Let us take the foundry industry as an example! Our deficiencies in productivity had thus far been covered up by the fact that part of the Soviet mining funds ended up in Hungary. Once this flow of funds ceased, it turned out that the technology which had already been outdated 10 years ago was totally useless, considering energy prices charged in the world markets. Electrolysis presents a similar problem in the aluminum industry; it is unable to survive along with Central-East European energy prices. It could survive if it had to pay low Norwegian prices or Australian coal costs, but it becomes inefficient as a result of Hungarian, Austrian, or Yugoslav coal prices. Accordingly, we are talking about crisis management in this regard.

[Eller] What means do the government and the IKM have to accomplish this?

[Bod] Customs duties, privatization, the stimulation of technological development—these are the primary governmental means, but neither of these are within the IKM's decisionmaking authority. I would be happy not having to make excuses, but short of means, the IKM's crisis management actually consists of warm handshakes only, perhaps somewhat more than that.

[Eller] In what direction do you influence decisions related to industry?

[Bod] I endeavor to enforce industrial policy considerations against budgetary considerations. But I am rather frequently subject to criticism from within the cabinet for representing the industry lobby. At the same time, however, industrial entrepreneurs feel that there is too little lobbying done on their behalf—in the favorable sense of the term "lobbying."

[Eller] They think that there is too little lobbying because they probably feel that the state does not protect industry.

[Bod] The classic means available to the state to protect industry are import regulations, various quotas, foreign trade techniques other than customs duties, loans granted for increasing exports, contributions to technological development, standards, and the increased stringency of technical standards and requirements. True, we did not use these techniques during the past years, just as we did not use place state orders just to protect industry. But I have here a document in which we advance our proposals regarding next year's import licensing system to the NGKM [Ministry of International Economic Relations]. And I have letters which I wrote to the various ministers able to spend money, i.e., to the ministers of transportation, health, and culture. I am calling their attention to the fact that if, for example, they build a hospital, then they should give preference to Hungarian subcontractors. The use of Hungarian subcontractors should be stipulated in tender invitations.

There are two reasons why I did not try my hand with these means before. On the one hand, we were unable to talk about protection before breaking up the Hungarian large industry structure. On the other hand, the public would have been outraged had I emphasized earlier that there was a need for "liberalization, but..." or that there was a need for "privatization, but ...." We could have very easily been accused of the MDF [Hungarian Democratic Forum] not really wanting to have a market economy.

[Eller] And at this point, are you able to claim "import liberalization, but industry protection"?

[Bod] A 15 or 16 percent drop in industrial production represents a serious argument in support of protecting industry both in international negotiations and to other ministries. Had we claimed earlier that competitive imports would result in a reduction in production of this magnitude, they simply would not have believed us; they would have accused us of lobbying. But by now, nothing is left of the large industrial lobbies that contributed personnel to cabinets and were able to remove cabinets. Accordingly, I am not protecting the foundry industry because five members of the central committee are from the foundry industry, but because the remaining, smaller foundry industry is in need of certain protection.

[Eller] I believe that the agricultural sphere has once again gotten ahead of industry insofar as such protection is concerned.

[Bod] The agricultural sphere has received a 30-billion-forint export subsidy, and no such thing exists in industry.

[Eller] I do not believe that anyone would think of returning to the days of subsidized industry. But some concern exists at this point regarding the evolution of foreign monopolies as a result of privatization, about imported goods squeezing out Hungarian products from stores as a result of buying out the Hungarian retail network.

[Bod] You mentioned two different things. The AVU [State Property Agency] has not included competitive considerations in the practice of privatization. In a country where appropriate rules for competition exist, a situation like that of FOTEX, which is in the process of making an offer to purchase the third glass works, would already have attracted the attention of the competition bureau. To prevent a foreigner from excluding Hungarian products is a different matter. I have been told of this problem most recently by the shoe, leather, and textile industries. On an international scale domestic industry supplies only part—half—of its own market and exports the rest. In Hungary the shoe industry began to plummet from a level where it held an 80-percent control over the domestic market and indeed, it soon might reach a critical level. But at what point and how should one interfere? Excessive protection of industry would also hurt consumer interests. I, in my capacity as



IKM minister, must be on guard that foreign competition not acquire an undeserved advantage and that domestic production not collapse. I would not want to initiate an economic policy debate, but exchange rate policies could (also) serve as means to protect industry, and the present mild revaluation stimulates the influx of imports.

[Eller] Returning to crisis management: The IKM has submitted a proposal to the cabinet for the establishment of the 15-billion- to 20-billion-forint structural transformation fund, of which the foundry, mining, and machine industries would have received more than just a warm handshake.

[Bod] We were unable to persuade the economic cabinet to accept this concept. We were told by professionals concerned with the budget that there was no room for such a fund in the budget. The fund to support foreign investments and the employment fund remain the only governmental means for crisis management. And with the reorganization of AFI [State Development Institute] there will come about an institution for this purpose, which will operate as a bank. I, on the other hand, believe that industrial transformation has some special problems which cannot be resolved by banking means.

[Eller] Similarly, you were the one to suggest that there was a need for crisis commissioners. For what purpose?

[Bod] This institution is not in existence as of today. Crisis management commissioners would be appointed once it became apparent that an enterprise was depleting its assets or if the leadership of an enterprise was unfit to reorganize the firm. In such instances the authority of the head of the enterprise and of the enterprise council would be suspended. I am unable to provide you with details in this regard because our perceptions about the authority of crisis management commissioners is now being submitted for professional debate.

### **Kornai Assesses Development of Market Economy**

92CH0128A Budapest FIGYELO in Hungarian  
17 Oct 91 p 25

[Interview by Michel Faure with Janos Kornai, economist and author of "Passionate Pamphlet," reprinted from unidentified issue of French weekly L'EXPRESS; place and date not given: "Kornai on the Market Economy"—first paragraph is FIGYELO introduction]

[Text] Reporter Michel Faure of the Paris L'EXPRESS has prepared an interview with Janos Kornai. A remark in the introduction to the article indicates that "the book of the Hungarian Harvard University professor has become the Bible of liberal reformers in former socialist countries."

[Faure] In 1990 you wrote a book about the process of transition to a market economy and about something you called "stabilizing surgery." Is today's reality in Hungary close to or far from what you recommended?

[Kornai] The first and most urgent problem is the stabilization of the economy. It was in this conjunction that I wrote about "stabilizing surgery." I recommended simultaneous actions to discontinue inflation, the budget deficit, and the state subsidy system, to establish the forint's internal convertibility and to lift price controls. The Hungarian Government went only halfway with these measures. Inflation has not declined as a result; it remains unchanged at a 30-40 percent rate. Although the budget deficit has temporarily improved, it is once again getting worse. In contrast, certain decisions exerted favorable effects: The lifting of price controls and the termination of subsidies produced good results, and the volume of money is relatively well under control. The postcommunist governments should remove all obstacles that impede capitalist development as fast as possible. In this regard the steps taken by the Hungarian Government had been positive, but they did not go far enough.

[Faure] You also underscored the need to obtain political support for reform measures....

[Kornai] Yes, I am convinced that this is the basic issue, because unpopular measures must also be implemented in order to make the stabilization program succeed. A weak government with little support in parliament has no mandate to perform such surgery. Regrettably, they did not succeed in establishing this kind of consensus concerning reform measures in Hungary. We have missed a unique opportunity, one that will never return.

[Faure] Poland was first to choose the electro-shock treatment. How do you view the progress made by that country?

[Kornai] Polish leaders had the courage to implement deep-seated measures in order to stabilize the economy. The operation was successful: It put an end to a very dangerous hyperinflation, put the national currency back on its feet, and discontinued chronic shortages. But the initial success does not mean that all problems are resolved. Transformation of a socialist economy is similar to war, battles must be fought again and again, and one has to remain vigilant.

[Faure] What is your analysis of Czechoslovakia? Indications are that things are moving slower in that country.

[Kornai] I think that the most noteworthy element of the economic policy pursued by Czechoslovak authorities is the fact that they are distributing a significant part of the state sector among the people in the form of shares. I am rather skeptical in this regard, to be frank. The strength of capitalism stems from its own character, one that cannot be invented by the government. But this is a rather noteworthy experiment and I am prepared to revise my views in this regard.

[Faure] Transition to the market economy will be a much longer process in the Soviet Union. Do you believe



that it would be desirable to maintain the union of Soviet republics in order to facilitate the success of liberal reform measures?

[Kornai] This will be a lengthy process, but one cannot tell at which point the transitional process will end, and where the capitalist era will begin. Some republics, some geographical zones will progress faster than others. The pace in which changes take place will depend on a number of factors, such as the weight of the parallel economy at the beginning of the transition, and the strength of influence Western culture is able to exert. But the evolution of the internal political situation will be the most definitive factor.

**Minister Gergatz: EC No Threat to Agriculture**

92CH0079A Budapest REFORM in Hungarian  
10 Oct 91 p 5

[Interview with Dr. Elemer Gergatz, minister of agriculture, by Peter Bonyhadi; place and date not given: "Give Us, Oh Lord, More Bad Years Like This; Minister of Agriculture on the Smallholders' Agricultural Goals, Our Common Market Prospects, the Role of Foreign Capital, and the Ministry's Threatening 'Aggression'"]

[Text] [Bonyhadi] Your party, the Smallholders, has often been criticized for wanting to pick up in agriculture where the Rakosi system left off. Do you not tend to be preoccupied with the past?

[Gergatz] Look, there have always been, and as long as politics are what they are, there will always be demagogues. Isolated statements, in other words, cannot be considered representative of the position of an entire party. But take a look around in this office. My walls are decked with old paintings depicting peasant life. But putting the artistic value of these pictures aside, can you think of anyone who in his right mind would long to return to that kind of torturous and miserable existence? The Smallholders are fostering normal proprietary relationships that have their basis in law. We want to help those who have the ability and expertise to farm, and who are willing to take risks. Those who lack the courage to go into business on their own, but still want to work in agriculture, can also get help from the party to organize into cooperatives. To be quite honest, if the agricultural cooperatives had been formed without the use of force, we would not have to go through this whole privatization process, for in such collectives everyone could have remained his own boss. It must be clearly understood that notwithstanding the arbitrary acts that accompanied their organization—for which we want to compensate people now—it would be wrong to get carried away in passing judgement over our agricultural cooperatives. After all it was the large farms that have made the world-class achievements of Hungarian agriculture possible.

This agriculture was always the most productive branch of the national economy. Did I say was? During the first half of the year, amidst a general economic "slump," the

agricultural sector has generated 1.5 billion dollars in exports. Give us, oh Lord, more bad years like this.

[Bonyhadi] Still many are of the opinion—citing convincing evidence—that the government is practically ready to sacrifice Hungarian agriculture in exchange for membership in the Common Market. As the sector's number one man, how do you respond to these charges?

[Gergatz] If we were admitted into the Common Market tomorrow, the greatest beneficiary of that feat would be Hungarian agriculture. The subsidies provided to agriculture by that community are unquestionably greater than what the sector enjoys in Hungary. So the miraculous granting of membership tomorrow would automatically trigger a sudden boost of support for Hungarian agriculture. Unfortunately, however, we will not be joining the Common Market tomorrow. By the time we will become members their huge subsidies will also have been scaled back, and taking advantage of its natural resources, Hungarian agriculture will become a worthy competitor of West Europe. Presently Hungarian food stuffs only make up 1 to 2 percent of the selection offered by West European supermarkets, and with such a small volume one cannot really be expected to compete. Our market share amounts to nothing more than an expansion of choices that can be absorbed by the market practically without notice. What I would like to know is why there aren't more people concerned about the potential impact of Common Market membership on Hungarian industry, which has been lagging far behind the European vanguard.

[Bonyhadi] While we are on the subject of industry, many feel that the real aim of foreign capital and outside investors in the food industry, for example, is to displace their Hungarian competitors. Even under a best case scenario they will only promote colonial forms of development that ignore the needs of the domestic market.

[Gergatz] Without the necessary safeguards and guarantees this could indeed be a danger, but I do not think that it is unreasonable to assume that those investing their money in Hungary's food industry are doing so in the hope of making a profit. And if with the help of foreign capital we can modernize our machine stock, find new export markets, and increase our productivity then we too stand to profit a little from such investments. In sum, despite the lurking dangers that are unquestionably out there, the economic benefits of the international integration of our food industry far outweigh its potential costs.

[Bonyhadi] Despite your words of reassurance, those in the field feel that the guidance given by the ministry has been rather aggressive. It patronizes the producer, placing every problem on his back, while working hard to evade all responsibilities.

[Gergatz] Knowing myself I can safely assume that your question about aggressiveness is not directed at me personally. There is no question, however, that the ministry's methods of guidance have changed. Making the transition from a planned to a market economy is in

itself a unique, and to some extent uncertain, undertaking. Hence the increased sensitivity and exasperation of our producers is perfectly understandable. But we must also understand that the market conditions that we have longed and pressed for all this time also entail some difficulties. In the future, producers will have to focus their attention not on the whims of the ministry, but on the movements of the market. This is not shifting responsibilities; it is merely a new formation in which everyone—including the ministry—will have to learn to play his new role. We can no longer use the excuse: I produced it, now it's your turn to sell it.

[Bonyhadi] As a Smallholders Party minister, to what extent are you bound by party discipline?

[Gergatz] I can say with confidence that at no point in my work as minister have I ever represented aggressive party policies of any sort. Inside the "house" I demand professionalism. The only political requirement I have is to be working with people who are politically behind the system change, and who are committed to getting our economy out of its current rut as quickly as possible.

#### **Banking Association Chief on Financial Reform**

92CH0079B Budapest HETI MAGYARORSZAG  
in Hungarian 4 Oct 91 p 11

[Interview with Miklos Pulai, general secretary of the Hungarian Banking Association, by Peter Kamaras; place and date not given: "Money, Money, Money; Conversation With the General Secretary of the Hungarian Banking Association"]

[Text] Before we can bring real reform to the economy, first we must modernize the Hungarian monetary system, and bring it in line with international standards. The road has been rough, but the banking law about to be adopted does offer a ray of hope in this process. How does the general secretary of the Hungarian Banking Association view our prospects? This was the question we put to Miklos Pulai.

[Kamaras] Mr. General Secretary, our present economic and monetary situation appears to be rather perplexed. How is the banking association able to fulfill its corporate functions under such circumstances?

[Pulai] Our association is a professional organization, representing the interests of commercial banks, specialized financial institutions, and savings banks. If I had to simplify it to give you a rough idea of what we are all about, I would say that we are a lobbying organization representing the banking sector and profession. In other words, we work to assert the interests of the banking sector in the legislative process and various action programs that pertain to the economy. The banking association was formed already after the proliferation of banks had begun. The reform began in 1987, and the number of banks has been growing ever since. The association came into being in early 1989. It is a voluntary organization, maintained by the banks for the purpose of coordinating

the positions of its members on various issues, and also representing those positions. Its activities are limited strictly to issues pertaining to the profession.

[Kamaras] What is your position on the state's share of ownership?

[Pulai] One of the most hotly debated topics in the draft law on financial institutions is whether or not the state's share of ownership in our banks should be restricted. There is general agreement that there should be such restrictions, in other words that no one should be allowed to have a greater controlling share in a bank than 25 percent. According to the proposal only another financial institution or the state can be exceptions to such restrictions. The banking association's position is that it would be a good idea to restrict state ownership, too, in those areas of the world of business where the banks are also involved. In the sphere of general commercial banks, specialized financial institutions, and savings banks, in other words in those areas where the banks are operating according to the generally applicable rules, we feel that there is no reason to treat the state as an exempted proprietor. Naturally, those who contend that the state should be allowed to have a larger share of ownership also have their appropriate arguments. The reason I am mentioning this in advance is because this issue directly impacts on the pace of privatization. If at the end parliament adopts the law with restrictions on the state's share of ownership, that would presumably require a more rapid rate of privatization. A grace period of at least three to four years would be needed to ensure that this issue is carefully thought through. But selling off stocks is not the only way the state's share of ownership in a large bank can be reduced; the bank can also increase its capital stock. In other words, by raising the size of its capital stock from, let us say, 12 billion to 15 billion forints, it can reduce the ratio of assets originally controlled by the state. Today I think it would be more expedient for us to try to raise the capital, for it would be better, especially for our larger banks, which we expect to build strong international relationships and obtain credits, to have a sizable capital stock.

[Kamaras] The job facing our domestic monetary system is to become a part of the international system. This modernization process definitely justifies the influx of foreign capital into our domestic world of finance. Do you expect any restrictive measures to be imposed on that influx?

[Pulai] The banking law does not regulate the inflow of foreign capital, but it does tie it to certain authorization requirements. These are stipulations with which we agree. If the total amount of foreign holdings in a given bank exceeds 10 percent, this already requires authorization. It allows us to examine who wants to become one of our owners. Certain standards are laid down and put into contract. Investors must agree to be mindful of the needs of the populace and to provide long-term loans for not only 60 days, but let us say eight years if necessary.

They must be ready to build a network, as such investments will prove that they are ready to think in terms of long-term goals. But while we agree that we do need such an authorization system, we would like to be consulted about when and how the government's authorization policy should assert itself.

[Kamaras] If I understand you correctly, you are saying that it would be conceivable and useful within a few years to have as many partially foreign-owned banks in Hungary as possible.

[Pulai] I am not sure that I would go as far as to say that we should have as many as possible. But I do know that it would be certainly to the advantage of our large banks to have foreign owners among their proprietors. We only consider this to be expedient and useful, however, if the investor they attract is one that has made a name for itself in the world, and which using that name can properly introduce the Hungarian bank in question into the international world of finance. We are hoping to attract foreign partners who bring with them modern banking practices, services, and technologies, and thus also higher quality management. The best way for a foreign proprietor to become a useful part of the Hungarian banking sector is not by rushing to fill existing openings with the aim of making hefty profits, but by helping us to modernize our banking system.

[Kamaras] What are the conditions of success in modernizing our domestic world of finance?

[Pulai] Success will depend on the kind of statutory provisions we are going to have regulating our sector. In this area—hopefully—we can expect many important developments. Laws governing our financial institutions, the central bank, and the budget will play a vitally important role. The accountancy laws adopted earlier and the bankruptcy statutes currently under consideration will also have an indirect effect. Essentially these statutes will have to be in accordance with international customs and regulations. The other question is how long a grace period we will need to catch up. I hope that in most cases we will be able to meet the requirements laid down in these laws within not more than three years. Our other aim is to revitalize banking technologies throughout the country; after all we have small and medium-sized banks formed within the past three years and serving a relatively small clientele, that are already using state-of-the-art technology. The large banks, on the other hand, that have split from the National Bank have all started out with essentially old technologies, and have only been partially successful in modernizing their operations. Since large banks handle most accounts, available credits, and loans, we cannot speak about having a modern banking system in Hungary until the large banks have also been modernized. The large banks use World Bank loans to finance their modernization programs. The best analysis to date of the present status of our financial institutions is a diagnostic study prepared by top banking experts, which has been used to draw up a

plan of institutional development. The plan also contains business policy concepts, such as the introduction of services that have never or seldom been considered in Hungary. The large banks already have such a program that is currently in the process of implementation.

[Kamaras] How can the banking association help this process along?

[Pulai] To some extent the large banks have gotten an early start in this development process. The banking association is prepared to provide advisory and organizational assistance and to invite foreign organizers to help smaller banks in implementing the program. The banking association has separate funds set aside for this purpose as part of the financial-sector development program.

### **'Privatization Work Program' Publicized**

92CH0112C Budapest FIGYELO in Hungarian  
10 Oct 91 p 5

[Unattributed article: "Privatization Work Program"]

[Text] Last week NAPI VILAGGAZDASAG reported that the government had submitted its ownership and privatization strategy to parliament. The related work program appears on page 5. Deadlines applicable to this year appear in parentheses. As it turns out, the work program also includes the performance of certain tasks—such as the preparation of lists of enterprises destined to remain under majority state ownership—which have been agreed to last May, at least seemingly so, according to the work program (See FIGYELO No. 21, 1991). The question is this: How much could be accomplished before the one or two month deadlines established in the work program arrived, as long as the government had been unable to straighten out in the course of several months certain privatization issues which had already been prepared for decisionmaking?

1. A state ownership institute that exercises the state's ownership rights with respect to long-term state entrepreneurial property must be established. The institute's functions, authorities, legal status, and operating and organizational procedures must be prepared; material, personnel, and financial conditions required for the institute's establishment must be provided (30 November).

2. The organic act of AVU [State Property Agency] must be amended so as to become consistent with the ownership and privatization strategy (30 November).

3. A mechanism related to the management of assets that remain under state ownership in the long term must be developed. As part of this task recommendations must be made for the organizational mechanism and establishment of, and operating rules for, holding corporations and stock corporations to manage long-term state property (30 November).

4. A method and rules for the management of assets that temporarily remain under state ownership must be developed (30 November).

5. Ministers responsible for the various branches must develop strategic principles for the fields under their respective jurisdictions, on the basis of which the state ownership share which is to be regarded as long-term ownership (majority or minority) may be determined (31 October).

6. In the framework of the national ownership strategy, enterprises must be designated in which the state desires to maintain an exclusive majority or minority share of ownership (30 November).

7. In due regard to the provisions of 6. above, a list of enterprises must be prepared, enterprises that the state wants to fully privatize and in which it does not want to maintain an ownership share (30 November).

8. Obligations to transform into corporations, as required to take place by 31 December 1992, must be provided for by law (30 November).

9. A program must be developed to accelerate the privatization sale of enterprises subject to liquidation (30 October).

10. An opportunity for privatization by way of leasing or rental must be developed. To accomplish this, legal provisions must be reviewed for the incorporation of possible changes (30 November).

11.(a) Legal provisions, financial conditions, and operating mechanisms for partial ownership by employees must be developed (1 November).

11.(b) Conditions, requirements, and procedural rules must be developed for management (group) buy-outs (30 November).

12. The entire system of enterprise-initiated privatization processes must be developed so that this structure becomes functional as soon as possible (15 October).

13. Existing means designed to stimulate demand for privatization must be reviewed and streamlined, and opportunities for the application of other means to stimulate demand must be examined (30 October).

14. A proposal must be prepared for the establishment, operation, and organization of institutions that provide guarantees to support privatization and which are tied to the process of privatization (30 November).

15.(a) A privatization concept that reflects the peculiar features of the banking system must be developed.

15.(b) The possibility of establishing in the framework of the banking system an independent institution suitable

to operate a mortgage system in a manner similar to a bank must be examined (31 December).

16. To complete the preprivatization program at the earliest possible date, the possible need to amend the related laws and the system of conditions applicable to rentals must be reviewed (30 October).

17. A new land law must be developed; simultaneously management rights must be discontinued. Real property records management and the system of land appraisals must be modernized (30 November).

18. Provisions governing the legal status of state enterprises and rules for contributions to be made to the state by state enterprises based on the state's property must be revised and developed (30 November).

19. To achieve a consensus in the process of privatization, the order by which information is to be provided to enterprise management and to employees, as well as an institutional framework for the opportunity to express one's opinion and the right to comment must be examined (30 November).

20.(a) The method of property transfer to various types of local government, to social security, and to the pension funds, the successor to social security, must be developed (31 December).

20.(b) The method of property transfer to organizations performing educational, scientific, cultural, social, and environmental functions in exchange for agreeing to perform what has been the state's obligation thus far must be developed (31 December).

21. Consistent with the ownership and privatization strategy, laws having an impact on privatization must be amended and streamlined, including the following:

—The law on the transformation of business organizations and business corporations.

—The law concerning the protection of state property entrusted to enterprises.

—The organic law of the AVU.

—The law concerning the privatization of state enterprises engaged in retail sales, the hospitality industry, and in activities serving consumers.

—The law concerning state enterprises.

—The law concerning ATI [State Institute of Cartography] (30 November).

22. In order to render legal provisions related to privatization reviewable and to encourage proper application of these provisions, legal provisions that in whole or in part contain rules for privatization must be published in a unified collection of provisions pertaining to privatization.

### **Intelligence Aid to Americans in Gulf War Denied**

92P20040A Warsaw ZYCIE WARSZAWY in Polish  
24 Oct 91 p 2

[Article by A.Sz.: "Promotion of the Book 'Cop From the Weekly'"]

[Text] There was a book promotion in Krakow for the new book *Cop From a Weekly*, which consists of talks between Witold Beres and Krzysztof Burnetko with Senator Krzysztof Kozlowski, who was minister of the interior in Tadeusz Mazowiecki's government. Kozlowski is also deputy editor in chief of the [Catholic] weekly TYGODNIK POWSZECHNY.

During the course of the book promotion, Senator Kozlowski emphasized that he does not agree with the hypothesis proposed in the preface of the book. "My illustrious young colleagues added a sensational element from which it appears that, during the Persian Gulf war, [Polish] special services cooperated closely with the Americans. I firmly refute this journalistic speculation as completely false," said Kozlowski.

Continued Kozlowski, "To the very end of the conflict, Poles behaved loyally and did nothing to harm Iraq or the Arab world. Thanks to this principal of behavior, we were able to fulfill the role of intermediary, and today we represent American interests in Baghdad. The American relief of part of the Polish debt was an expression of recognition for the Balcerowicz plan, and did not come about because of presumed contributions on the part of Polish intelligence to the Americans."

### **Nation Plans Toll Highways to West Europe**

92EP0060B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 17 Oct 91 p II

[Article by A.K.: "Highway to Europe: Toll Required"]

[Text] What priorities should be satisfied by the land transportation system in Poland? In what directions should express highways be built first? Should they be toll highways? Such were but a few of the questions discussed on 16 October in Warsaw by the State Council for Land Use and Planning at its ninth session during its term of office.

The directions of the regular and express highways in Poland should be integrated with those of the European transportation system. Previously political divisions and the economic autarky of the socialist countries ran counter to such integration. Now the changes taking place in this part of the European continent necessitate reviewing the concept of the overall road system in this country from the standpoint of its necessary and desirable integration with the already existing and future European transportation system.

National land use plans provide for eventually building 6,000 kilometers [km] of express highways, including 2,500 km of superhighways. They would link, among

other cities, Moscow with Berlin, Szczecin with Prague, Dresden with Lvov, Scandinavia via Gdansk with the south of Europe, and Warsaw, Lodz, and Wroclaw with Prague.

The construction, expansion, and modernization of the Polish road and highway system will be influenced not only by international standards but also by the domestic needs ensuing from the functioning of the society, the economy, and the state. This concerns such factors as the restructuring of the economy, the growth in the number of small and medium-sized enterprises, and the widespread privatization of and decline in the number of large industrial plants. The radical decentralization of the Polish defense doctrine and the growth in the mobility of the society will also affect the growth of the demand for efficient, safe, and rapid transportation.

A basic problem in building this infrastructure is the question of financing. Resolving this question is linked to the extent of the participation of the state budget in the related investments. This concerns answering the question of whether the state should commit itself financially to a greater extent in this domain than in other domains, or whether it should confine itself to providing credit support.

Building superhighways would be, in the opinion of Professor Wojciech Suchorzewski, a member of the council, profitable on condition that the interest rate charged on the related investment credit be no higher than 12 percent and tolls for using these highways be collected. Polls indicate that 70 percent of drivers would be willing to pay a toll of about 200 zlotys [Z] per kilometer of driving on a superhighway. On the other hand, they would not be willing to pay a toll of Z1,000. Also in favor of the toll requirement is Minister Jerzy Eysymontt, the director of the Central Planning Office who pointed out that this is a condition for attracting the participation of foreign capital in road building.

A related and unusually difficult problem may be, according to Adam Kowalewski, the deputy minister of construction, the question of expropriating and reserving land for highway construction on routes running across the boundaries of local governments. Then also there is the expense of land purchases, expropriation proceedings, and compensation payments, which the state budget can hardly defray. The council has appointed a taskforce for evaluating the government project for building regular and express highways.

### **Effect of Defensive Doctrine on Air Force**

92EP0052A Warsaw POLSKA ZBROJNA in Polish  
9 Oct 91 p 1

[Interview with Colonel Ryszard Zakrzewski, deputy chief of staff of the Air Force and Air Defense, by Stanislaw Lukaszewski; place and date not given: "Reason First, Ambition Second"]

[Text] We are uncovering the secrets of the air defense system and we are also proposing solutions for the future.

[Lukaszewski] For some time now a discussion has been ongoing on the makeup of our country's air defense system. In this discussion, many articles have been written expressing valid fears regarding its penetrability, its functionality, and its combat readiness. How does the WLiOP [Air Force and Air Defense] Command approach this question?

[Zakrzewski] Some active participants in this discussion suggest a proposal for ready-made solutions. At the same time, they give authoritative assessments that indicate that the organizational cells of the army responsible for its condition are not interested enough in the issue of RP [Republic of Poland] airborne defense. This is not true. My dear sir, can the number of articles in the press be a measure of the amount of commitment that goes into solving a problem? And is it really possible for one of the most vital elements of the state defense system, on which state security depends, to lie beyond the sphere of interest of military leadership bodies? I believe that the answers to these questions are obvious.

In order to approach the questions of the air defense system objectively, we must go back to the events of a year ago.

[Lukaszewski] Colonel, it took years for the war doctrine of our state to be constructed. And it was structured in accordance with assumptions based upon the place and role of our country, and its army, within the Warsaw Pact.

[Zakrzewski] It is these very assumptions that led to the conventional division of the Armed Forces into two branches. The first was the operations armies, whose primary designation was to create a front and regroup outside of the territory of Poland as quickly as possible. The second was the home territorial defense army, whose primary designation was the security of the infrastructure and operations, as well as the security of the armies regrouping on the external front.

[Lukaszewski] To what did this lead?

[Zakrzewski] This division had to have both organizational and, most importantly, financial consequences. Obviously, the major effort was directed toward the operations armies, which had to be as complete as possible in terms of numbers of personnel and relatively modern armaments. These operations armies were made up of the WL [Air Force] and WOPL [Air Defense Forces], hence their mobility and relatively more efficient equipment, with its greater firing capabilities.

[Lukaszewski] And what about the National Air Defense Forces [WOPK]?

[Zakrzewski] These forces, because of their designation as a shield against reconnaissance and air strikes aimed at targets of the most vital significance to Poland, did not

go out together with the front beyond the state's boundaries and were relegated to the second group. This meant that despite large outlays for modernization purposes, a significant portion of the monies had to be designated to preserve viability, i.e., to expand the engineering aspects of stationary firing positions, to build concrete reinforcements and to enlarge the command system.

[Lukaszewski] Colonel, what conclusion are we to draw from this?

[Zakrzewski] We are to conclude that the concept of zonal-target defense lay at the foundations of the building of Poland's air defense system, and that this concept was expanded to make it possible to "supplement" this defense with the forces and resources of the AD [Air Defense] armies of the Polish front and of neighboring armies. Thus, our air defense, which is zonal on an open coastline, is the strongest, while our air defense along the western border is weaker due to the buffer strip generated until recently by the strong GDR air defense and the lack of a buffer strip on the eastern border... for obvious reasons.

[Lukaszewski] Is it not surprising, then, that three months after the liquidation of the Warsaw Pact, our air defense is so imperfect and does not guarantee Poland's security from all directions?

[Zakrzewski] It is not surprising, because in the first place, we will not be able to afford such a fully effective defense much longer, and in the second place, it was not built to meet these requirements. I do wish to state, however, that the WLiOP Command, from the moment of combining, was aware of the existing state of air defense and the need to conduct its reorganization.

One of the first orders of the WLiOP Command was to embark upon the preparation by a team of officers of a plan of adapting air defense to today's needs, with the reservation that the total makeup of the proposal would have to be in accord with the recommendations of the MON [National Defense Ministry] ministerial commission and would have to aim at a system which will be prepared and accepted by the management officials of the military and the state.

[Lukaszewski] What is characteristic of this plan? What basic problems have you defined? What questions did you have to answer first?

[Zakrzewski] In order to prepare the plan for perfecting the airborne defense system, we first had to answer the question: What impact do the economic potential and the political-military situation of Poland have on the makeup of the air defense system? Our assessment showed that we must preserve the present combat potential of the WLiOP, since we lack the financial capability for replacing it. We can only make the indispensable organizational correctives....

[Lukaszewski] How will the doctrinal change into a defensive doctrine impact the air defense structure?

[Zakrzewski] Our viewpoint—and we are sure about this—takes into consideration solutions used worldwide. We believe that our new doctrine will make it possible for us to utilize in full the entire potential of our Armed Forces to build a national air defense system. But given the likely shortages, we must make wise use of all forces and means, including the AD and MW [naval] forces. These must be under a single leadership, in one system of air reconnaissance and command, and according to a unified plan for conducting battle.

[Lukaszewski] Currently what is the assessment of the airborne threat to our territory?

[Zakrzewski] We are trying to determine who the enemy will be against whom our system is to be pitted. In the discussion mentioned at the beginning of our interview, some people urge that everything that was built, tested and functions relatively well should be destroyed. But I think it is better to concentrate all our efforts on perfecting the existing structures and the infrastructure, thereby building the new elements which are current lacking for future structures.

[Lukaszewski] That is a difficult thing to decide... the issue is an open one. In the WLiOP Command, however, some sort of basic directions were defined. What is being proposed?

[Zakrzewski] The WLiOP, the WOP at the operations and operational-tactical level, and the Naval Air Defense Forces must be a part of this system. The system would be supplemented with limited forces and resources from the direct anti-aircraft shield of the land armies detachments, which would battle low-flying targets making an attack on their groups.

[Lukaszewski] Napoleon once heard that, in the first place... we have no cannons.

[Zakrzewski] That is precisely because the amount of forces and resources for air defense does not allow us to create a permanent, equally strong circular defense from every direction. We must organize a target defense and a target-zonal defense and we must maintain rearguards made up of maneuvering air forces and separate AD forces designated to concentrate effort on selected directions or to reinforce a violated defense. This would create a protective umbrella under which all targets and the military within Poland would be found.

[Lukaszewski] But what about the lack of cannons mentioned earlier?

[Zakrzewski] Of course, it is essential for us to replace combat equipment with modern equipment which will be highly effective and have extensive combat and maneuvering capabilities. Moreover, no one needs to be persuaded of the fact that this is an endeavor whose implementation depends upon the economic capabilities of the state. It is also obvious that this matter lies far beyond the scope of the military's potential. It is not our role to look for financial possibilities, although it is our

duty to act rationally and keep costs as low as possible. This cannot be done at the expense of quality or, especially, security. Where it is indispensable we must find the funds. By the way, here I would like to inform that a committee which is to define the distant future of air defense has been appointed by the national defense minister and is already at work.

[Lukaszewski] Then how do you assess the proposals made to date, which emerged during the discussion that ensued in the mass media? Were they generally helpful?

[Zakrzewski] Of course, most of them were justified. However, a considerable part of them are wishful thinking, since they are not adaptable to the present possibilities and situation. Here I should like to emphasize strongly that our vision of air defense seems to be misunderstood by some representatives of the other branches of the military. It was never our intent to join together the AD armies and our armies. However, we would like to see our air defense built with those forces that are capable to doing battle with an airborne enemy, until the economic condition of the state improves.

The forces and resources of the WOPL Land Forces and the MW, which make up the air defense system, should thus be trained according to the compulsory programs in the WLiOP, perform turns of combat duty, know their own tasks for wartime and should operate in a unified system of reconnaissance and command, for only then will they be properly and rationally used in battle.

[Lukaszewski] Do you believe that we can count on an effective air defense?

[Zakrzewski] I believe that I speak for the WLiOP Command when I assure you that air defense, its present shape and its future lie in good hands. All those responsible for its quality and its conditions are doing everything that can possibly be done. Unfortunately, we are afraid that ambitious aspirations may exceed rational aspirations in the structure of Poland's ultimate air defense.

That is our worry. However, I trust that reason will win out over ambition.

### **EC Communication System To Be Introduced**

*92EP0048B Warsaw RYNKI ZAGRANICZNE in Polish No 118, 1 Oct 91 p 8*

[Article by Grazyna Kapelko: "Euroinfo in Poland: The Most Important Information Network of the EC"]

[Text] In November, the first center of Euroinfo in Central and East Europe will begin operation in Warsaw. In the first quarter of 1992, six "windows" of the Warsaw center will be established in Poland.

Poland is the first country proposed for the introduction of one of two technological systems for the processing



and transmission of information operating in EC, the BC-NET system. West Europe has more than 200 such centers.

Krystyna Gurbiel, deputy director of the Fund for Cooperation, which serves as an organizer, said: "We will join this network as a correspondent, therefore our position will be limited to a certain extent. What this will mean in practice remains to be seen." Also, unlike other countries, Poland will have only one central station for this network: correspondent Europa Center in Warsaw (for western countries, the number is unlimited).

The Fund for Cooperation has six billion zlotys [Z] at its disposal for the next half-year. The money comes from zloty funds realized from the sale of foreign gifts (PHARE). This sum will be allocated for the organization and initial activity of centers in Warsaw (Z1.8 billion) and six of its satellites (Z730 million for each). A final list of centers is not available, but they will probably be in Krakow, Poznan, Lodz, Gdansk, Lublin, and Bialystok.

After organizing the Warsaw center and connecting it to the BC-NET center in Brussels (this will be done through electronic mail), "windows" will be organized in Poland. Regional stations, like the center, will be equipped with BC computers. Not having direct access to the EC network, they will use the information base of the Warsaw center.

Thus far it has not been determined who will organize the regional centers. A competition will decide this. The Fund for Cooperation believes that primarily chambers of commerce, higher schools, business schools, and foundations (for example, the Foundation for Social Initiatives) will participate in the bidding. Private companies are not expected to participate in the bidding. The reason for this is that, unlike partnerships, activity of the centers is not intended for profit. Although payment for certain information is anticipated, the money from this should be used to finance the centers and not any other conceivable economic activity.

Introducing the most important EC information network into Poland will serve small business in finding foreign partners, but this is not all. Judging by the experience of the West, most of the information is used by consulting companies, government, and organizations outside the government. As a rule, the information pertains to legal-taxation aspects of a given country. The most important trait of this system is the potential for rapidly providing translated information (from Dutch to Polish, for example).

The general directorate of the 23 EC Commissions—responsible for Euroinfo from the standpoint of the Community—also anticipates development of other forms of cooperation in the area of information exchange. These will include jointly published brochures and books. Other forms of contact will be symposia and scientific sessions.

With respect to fear of improper use of the system (selling information), creation of a control body under the government auspices is anticipated.

The matter of financing the centers' subsequent activity is a problem. In Poland, as distinct from EC countries, there are no special funds in the budget for supporting this type of enterprise. For this reason, after a certain time our stations will have to be self-supporting or financially supplemented by the prominent organizations.

In the immediate future, the Fund for Cooperation will be notified of the term and principles of linking Poland to the system and of the training periods for Polish specialists at European centers. These are some of the final matters to be settled before putting the Warsaw center into operation.

### Trade Cooperation With South Africa Outlined

92EP0048A Warsaw RYNKI ZAGRANICZNE in Polish No 120, 5 Oct 91 p 8

[Article by Andrzej Krzemirski: "Privileged Access to Polish Commodities: The First Trade Agreement With the Republic of South Africa"]

[Text] The first trade agreement between the Republic of South Africa [RSA] and Poland was signed in Warsaw in the latter part of September. This is a landmark occasion for relations between these countries. It provides a formal framework for direct trade that was initiated only two years ago and has great prospects for development.

The agreement contains a clause for most favored status and provides for payments in hard currency. It also obliges the governments of both countries to grant privileges in mutual trade and consultation. The repeal with respect to Polish commodities of surcharges amounting to 50 percent of the customs fees must be regarded a most important provision. This granted articles imported from Poland privileged access to the RSA market. Few countries are presently granted this status. An additional gesture on the part of South Africa was the repeal of customs surcharges on imports during several months before the agreement was signed.

With this background, we must be aware that Poland was one of the first countries not only in Central Europe, but in the world, that formalized direct trade relations with RSA, and we should exploit this favorable situation before others join this presently small group of countries. There are many indications that this will happen within the next one to one and a half years and then our opportunities will even out.

Poland rescinded limitations on direct trade contacts with RSA in April 1990. A Commercial Counselor's Office has been active in Pretoria since February 1991; this replaced the unofficial bureau of the National Chamber of Commerce established the year before.



Despite the great distances and still slight knowledge on the part of both sides of mutual needs and economic potential, cooperation between RSA and Poland has great prospects. The economics of both countries may be complementary from many aspects. RSA is a rich source of many raw materials and food items not produced in Poland and of interesting technological processes. Poland has the opportunity to sell many industrial products and articles of food to RSA, and the extensive market of black consumers does not make high demands of the sellers with respect to modernity or technical level of the goods offered.

According to tentative data that do not take into account extensive trade mediated by third countries, Polish export to RSA during the past year was \$1.4 million and import from RSA, \$7.4 million. During the first half of 1991, our export rose to \$5.6 million and import from RSA was \$5.2 million.

Statistics provided by RSA in which the value of trade is computed according to the criteria of the country of origin and destination of the commodity, indicated that last year bilateral trade closed with a quota significantly higher: \$40 million. And this is steadily growing.

Containers make up the greatest proportion of our exports to RSA. During the first half of 1991, we received \$3.2 million from their sale. Tractors, machine tools, construction machinery, and ships, as well as chemicals, tires, and foodstuffs also hold important positions. Import from RSA involves mainly iron and manganese ores and agricultural food products.

Mutual trade presents an opportunity for enrichment with many new commodities since both Poland and RSA at present have a liberal trade policy. RSA has a great demand for various machinery and equipment for industry, power and construction as well as for electronics components and numerous chemical products.

Imports from that country could encompass a broader range of raw materials. Presently discussions are taking place on the purchase of phosphorites and copper concentrates. South African companies manufacture modern mining equipment and machinery for agriculture and the food industry that would find Polish buyers. Also of interest is the export offer made by enterprises manufacturing modern electronic articles and telecommunication apparatus. However, purchases in RSA of investment goods depend on Poland's being accorded competitive credit conditions.

In addition to traditional trade, more broadly understood economic cooperation is also promising. Initial attempts have already been made to establish industrial and technological cooperation. It is true that at this time South African companies cannot be expected to be interested in investments in Poland because of the limitations pertaining to export of capital from RSA, but opportunities have developed for cooperation in the airline industry and coal conversion. Discussions are

also continuing on technological cooperation in telecommunication and on the construction by South African companies of two textile plants to be equipped with Polish machinery exclusively.

The eventual employment of Polish specialists in RSA might be of interest. That country is experiencing a lack of specialists in various areas.

At the moment, there are many impediments to closer economic ties between RSA and Poland. A basic impediment is the continuing inadequate knowledge about mutual potentials which, coupled with little canvassing activity, results in direct trade being secondary to trade through mediators from third countries.

By creating their own trade network with RSA, some Polish enterprises are trying to fill this gap. Representatives of Intervisa, Kopex, Polimex-Cekop, and Universal are already active here. The Commercial Counselor's Office is very active in Pretoria organizing meetings of our companies with South African Chambers of Commerce and Industry and with representatives of local concerns and banks. In the wake of the first mission which visited RSA in May, succeeding missions are projected by both RSA and Poland.

Participation in exhibitions and fairs organized in both countries is also of great significance in stimulating trade. During the past year, Poland participated for the first time in the Rand Show, the largest fair in RSA. Eighteen South African companies participated for the first time in this year's International Fair in Poznan.

A big problem that makes trade difficult is the lack of a regular shipping line connecting Polish ports with RSA. A lack of needed banking connections also has a negative influence on economic cooperation; this is the result of the limited activity of South African banks outside the country due to sanctions. Recently, however, hope appeared that these difficulties would be resolved. Cooperation between RSA and Polish banks is gradually developing; this is all the more significant for mutual trade since the South African financial institutions are heavily involved in promoting foreign trade.

Besides the recently concluded trade agreement, the governments of RSA and Poland are moving toward standardizing through treaties cooperation in other areas also. Introductory negotiations are under way at present on avoiding double taxation, and later it is possible that there will be discussions on protecting and supporting investment capital. Both such documents would create substantially improved conditions for industrial and technological cooperation.

Finally, we must realize that establishing closer economic ties with RSA creates additional substantial potentials for the penetration of other markets on the Dark Continent. Many countries on that continent have close economic ties with RSA.

Companies interested in contacts with the RSA market may request information from the Commercial Counselor's Office in Johannesburg at this address: Commercial Counselor's Office of the Republic of Poland, P.O. Box 1547, Houghton 2041, Johannesburg, South Africa. Telephone: 011 788 6597; FAX: 011 442 5375; Telex: 4 30454.

### Country May Receive European Fast Trains

92EP0060A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 17 Oct 91 p II

[Article by W.M.: "TGV and ICE Visit Warsaw: High-Speed and Express Trains"]

[Text] We desire to convince the public that investing in the railroads is worthwhile. We can no longer remain in the backwoods of Europe, not because it is wrong but because it does not pay. Unless we understand this even now, we shall forfeit a great opportunity and, along with it, big money.... Such were the opinions voiced by the participants in the international conference organized on 16 and 17 October by the Main Directorate of the PKP [Polish State Railroads], the Scientific and Technical Railroading Center, and the Association of Transportation Engineers and Technicians, on the subject of fast trains which should some day cruise in our country as well.

Michel Walrave, the secretary general of the Union Internationale des Chemins de Fer (UIC, head office in Paris), who attended the conference, affirmed the importance of "including Poland in the European high-speed train network." Poland has, according to UIC studies, every opportunity for becoming a rail hub for passengers and freight traveling in different directions. The first direction is, tentatively: Berlin-Warsaw, and via Vilna, Moscow; the second, Frankfurt (on the Main)-Wroclaw-Krakow-Lvov-Kiev; the third, Petersburg-Warsaw, and from there on to Vienna and Rome; and the fourth, Szczecin-Poznan-Wroclaw-Prague, and farther south. Clearly, the standards on these European trains would be at a level completely different from the present domestic ones. We have the opportunity to become the "navel of European transit," because Poland with its level terrain is conveniently located as a transit territory, and this entails lower infrastructure building costs.

But unless we begin to act, we can be overtaken by other countries (for example, the Czechs also are interested). Moreover, the time span between idea and reality in translating into reality a train rushing at a speed of at least 200 kilometers [km] per hour on a suitable trackage would be, according to experts, 90 months. Thus, action taken immediately would bear fruit only seven and a half to eight years later. Such investments take money, and the amount needed has not yet been calculated. It is said to be considerable and that the World Bank and Western commercial banks will have to be asked to extend credit. Unless Poland itself participates financially, however, it

was said at the conference, the whole project will not succeed. Hence, the corresponding programs will have to be approved by the government. The conference is still continuing and, at it, aspects of technical solutions are being discussed and views on the entire railroad infrastructure exchanged.

The conference participants had the opportunity to tour high-speed trains which on 16 October stood at the Olszynka Grochowska Terminal in Warsaw. The French Train Grande Vitesse (TGV) has reached a speed of 515 km per hour on experimental track segments. On the Paris-Lyons route it travels at a speed of 250 km per hour, and on the route called TGV-Atlantic, at above 250 km per hour. The other train exhibited represents German engineering: The Intercity Express (ICE) reaches 200-250 km per hour and cruises between Hamburg and Munich via Frankfurt. Both are very comfortable trains. This can be ascertained by the public on 17 October, when both these trains can be inspected at the Warsaw West Station between 1100 and 1700 hours.

Marek Raczkiwicz, deputy director general of the PKP, was appointed on 16 October to the post of head of the Freight Transportation Department of the PKP.

### POLITYKA Weekly News Roundup: 13-19 Oct

92EP0056A Warsaw POLITYKA in Polish No 42, 19 Oct 91 p 2

[Excerpts]

#### National News

The Sejm adopted a law on the property of the Catholic Church. According to the new regulations, the church can receive lands in the Western and northern regions of up to 15 hectares in a given parish and up to 50 hectares in a diocese. Cemeteries on which there are no sacred facilities can become church property. The law was adopted by a majority of nine votes.

The Sejm rejected the government proposal for a basic law that included strengthening the position of the government and the president. The Sejm will work on the proposed "Small Constitution" prepared by the Sejm Constitutional Commission under the direction of Bronislaw Geremek.

Creeping devaluation of the zloty [Z] is what GAZETA WYBORCZA called the decision of the National Bank of Poland to increase the value of a basket of services which the bank uses to set the exchange rate for the dollar by Z9 each day. By the end of the year the price of \$1.00 will certainly increase by about Z500. [passage omitted]

Recent surveys by the Center for Research on Public Opinion (1 and 2 October 1991) show that 45 percent of the respondents intend to vote. The following are the first five political groups for which representatives of the voters intend to vote (in parentheses is the percentage of increase in votes in comparison with the survey done in

September): Democratic Union [UD]—17.6 percent (up 6.1 percent); NSZZ Solidarity—14.6 percent (up 0.1 percent); Citizens' Center Accord—7.2 percent (up 5 percent); Alliance of the Democratic Left—3.7 percent (up 1.7 percent); Confederation for an Independent Poland [KPN]—3.5 percent (up 1.2 percent). [passage omitted]

Minister Michal Boni invited interested institutionalized forces to discuss the issue of supplements for children on 21 October 1991. The government desires to support families with many children and those with handicapped children. Families with one child will lose in relation to current rates (4 percent instead of 8 percent of the average wage).

Aleksander Gawronik, to whom the authorities assigned management of the ART-B partnership, has declared that he demanded Z6 billion a month for that work and that his demand was accepted. Gawronik says that he was not interested in the money; he wanted to show how much managers in the West receive for such work. A. Gawronik, as is known, resigned from the position, and he assigned most of the money for charitable purposes. Robert Rzdaca, the new head of ART-B, receives Z30 million a month.

Unemployment, as the Central Planning Administration reports, was 1.971 million at the end of September 1991. Among the enterprises surveyed by the Central Planning Administration for October, not quite 2 percent declared an intent to increase employment; 44 percent, however, declared further reductions. Nearly two-thirds of the unemployed are young people below the age of 34. [passage omitted]

The Ministry of Defense announced that in the near future 15,000 civilian employees will be released from their jobs as a result of the drastic reductions in the budget of the Ministry of Defense.

Beginning 1 November 1991, LOT [Polish Air Lines] will introduce a special fare on the majority of its European routes. Under certain conditions, the price of a round-trip ticket will be the same as for a one-way ticket (a stay of not more than one month abroad including at least one Sunday).

Commentators, including those for the television program WYDARZENIA DNIA, have drawn attention to the increasing brutality of the election campaign. "This attack and its author arouse disgust in me," said Wlodzimierz Cimoszewicz (one of the leaders of the Alliance of the Democratic Left) in response to an accusation by Deputy Jan Beszta-Borowski (Citizens' Parliamentary Club [OKP]) that his father was the head of Military Information at the Military Technical Academy and "had the habit of talking with people while holding a pistol in his hand and twirling it by the trigger around his finger." "That is an attack dictated by a sick hate," declared Deputy Cimoszewicz, "slandering a man who during the war fought the Germans for five years with a

weapon in his hand and then for a dozen years or so served Poland as an officer of the Polish Army in the best will and belief."

After a week under the new traffic laws (mandatory seat belts even in the city), again, unfortunately, a new record for road accidents was established: 182 individuals died at the scene of accidents. [passage omitted]

At the building of the Ministry of National Defense in Warsaw, the private firm Kaliber, the only seller of the products of the Finnish firm Sako and Lapua, has opened a store to sell firearms. They sell gas, sporting, hunting, and military pistols. The cheapest gas pistol costs Z650,000.

The amended criminal-treasury law calls for an average 10-fold increase in fines and punishments. The lowest fine will be Z1 million (currently Z200,000); the highest for a currency violation: Z500,000.

On what are retirees living? GAZETA WYBORCZA presents data from the Social Security Agency. In May 1991, as much as 90 percent of all retirees and pensioners received less than Z1.7 million, which is the national average wages. Of them, 3 million received less than Z850,000, and about Z600,000 received the lowest retirement of Z595,000 or the lowest pension of Z459,000. The average retirement was about Z1 million, including supplements and compensations. Of the total of 6.5 million retirees and pensioners, 3,038 individuals received payments exceeding Z5.1 million. Miners collected 38.5 percent of the highest retirements, and war invalids and camp inmates, 50 percent. Many directors and presidents are among those with the highest pensions.

The Central Office of Statistics reports that the average monthly wage in the five sectors of the national economy, excluding profit sharing, was Z1,836,705 in September 1991, or 3 percent higher than in August 1991.

At a press conference at the Marriott, Janusz Lewandowski, minister of ownership transformation, said that in the middle of October "emissaries" of the privatization ministry will travel to Paris, Frankfurt-am-Main, Vienna, and Brussels to present the Polish privatization program and policy toward foreign capital to the Western governments and businessmen. They are to remind the West that Poland is the second area in terms of sales in this part of Europe (40 million potential consumers), has a cheap labor force, and knows how to trade with the Soviet Union. A ministry central office headquartered in the Warsaw Marriott Hotel will take over service of foreign investors. Selected investors will receive assistants who will help them take care of formalities.

The Germans are the Poland's first trade partner. Of the 2,800 permits issued in 1990 by the Agency for Foreign

Investments, nearly 1,000 were issued to German citizens. The value of the capital which Germans invested in Poland is 35 times higher than the next foreign investors. [passage omitted]

#### **Opinions**

[passage omitted]

**Aleksander Hall, deputy chairman of the Democratic Union [UD] in the new Sejm:**

*(Interviewed by Pawel Lawinski, GAZETA WYBORCZA, 5 October)*

[Hall] If there is a conflict at the very beginning between the president and the parliament, Polish democracy will be discredited. It is clear that the parliament will be divided and the government weak. It is utopian to think that a classic parliamentary system is possible in Poland. The president who is elected in a general election must have an central position.

The paradox was that the president himself, especially his coworkers in the Chancellery, limited the opportunity to increase presidential powers. They sought strong powers in an inept and arrogant manner. Wanting to strengthen it, they weakened it. The future deputies will also remember the threat to dissolve the Sejm.

### **Civic Alliance Party Program Outlined**

*92BA0072C Bucharest ROMANIA LIBERA  
in Romanian 15 Oct 91 p 9*

[Unattributed article detailing the program of the Civic Alliance Party, PAC: "PAC Program"]

[Text] The Civic Alliance Charter is the main document-program on which the Civic Alliance Party [PAC] bases its activities. The Charter contains the general principles and defines the party's options: democracy and a civic society, political pluralism, a state of law, free market economy, respect for property, assertion of the basic human rights and liberties, alignment to the international standards, national sovereignty, and minority rights.

Immediately after being formed, the PAC adopted a Platform-Program and other documents recommended by the Civic Alliance: a Declaration of National Reconciliation, the Charter of Basic Rights and Liberties, and a Declaration on the Minorities. The PAC has formulated its position on the economic issues (by identifying the priorities), on social change, and on many other areas of vital interest.

One of the PAC's main objectives is to eliminate all the communist-type institutions and laws created after 1945. Their survival is the main obstacle to democratization. Any delay in dismantling them carries the risk of a communist restoration, as has been proven by the recent attempted military coup in Moscow. The PAC believes that the form of government can be decided only by a referendum, thoroughly prepared, and after correctly informing the public. The PAC views Romania's national sovereignty as sacred. The PAC respects the right of all the peoples to free assertion and independence. The PAC wishes to promote a foreign policy based on respect for international norms, a dynamic policy designed to end the country's isolation.

The PAC has adopted a realistic and rational policy. It rejects any constraining ideology. In domestic politics the PAC wants to promote the initiative of all political, civic, professional, and trade union groups and parties. The PAC supports political pluralism and free individual initiative. We believe that social changes must be effected by all the citizens. The PAC declares itself available for dialogue with all the democratic political parties and with all the social and professional organizations. The PAC speaks against any kind of extremism, left- or right-wing, against fascism, communism, racism, xenophobia, and anti-Semitism. The PAC wishes Romania's image in the world to be the image of a democratic and civilized country and a noteworthy member of the world community.

In domestic politics the PAC supports a broad alliance of the democratic forces. It militates for passing democratic laws and a democratic constitution capable of laying the foundation for a state of law. The PAC militates for a real separation of powers in the state.

The PAC hopes that the Army will once again become an elite corps, well equipped and capable of defending Romania's sovereignty. According to the PAC's concept, the Army must be depoliticized and must preserve an equal distance from all the political parties. The police, the Interior Ministry, and the Romanian Intelligence Service must serve the people and must be under the control of the civic society.

From tools of repression as they were under the communist regime, these institutions must once again become the guarantors of civic liberties and rights.

The Declaration of National Reconciliation was inspired by a wish to restore a genuine civic peace in Romania. The PAC militates for eliminating all the hotbeds of disagreement and conflict. A democratic society can be built only by eliminating all the sequels of communism. For this purpose, the PAC asserts the following principles: Public figures must be evaluated exclusively by their actions and words; persons who belonged to the PCR [Romanian Communist Party] Central Committee and the communist Securitate, or who were in the pay of those institutions may not be promoted to leadership or decisionmaking positions before 1 January 2000. The PAC believes that, since responsibility and guilt are individual, each person need account only for his own actions. Recognizing responsibility and guilt is the first step toward healing the Romanian society. The PAC rules out witch hunts, revenge, and persecutions. However, it believes that those guilty of crimes or antisocial acts against the Romanian people must be identified and punished in compliance with the law.

The Charter on Fundamental Rights and Liberties proceeds from the principle accepted in every civilized country, that all people are free and equal in their rights and duties, regardless of sex, race, skin color, religion, opinion, ethnic origin, social origin, wealth, or membership in a national minority. The PAC distinguishes civic and political rights, such as economic, social, and cultural rights of the citizens. The PAC asserts the need for legal protection for all the fundamental rights and liberties. Concerning the minorities, the PAC joins the standards accepted in the civilized world and the international regulations in effect. The PAC is faithful to the idea of the unity of Romanians everywhere and it promotes a policy of support for the interests of the Romanians in Bessarabia and all the other occupied provinces.

The Program of (economic, social, moral, etc.) Reform promoted by the PAC establishes a precise strategy and a number of priorities. The PAC believes that the process of reform cannot proceed without hardships and deprivations for the population. At the same time, the PAC believes that not all the hardships and deprivations created by the reform devised and implemented by the current government team are justified. The PAC believes that specific means exist for overcoming the current crisis, beginning with a radicalized reform and a faster privatization of the land, trade, industry, and services.

The PAC wishes to tell the truth about the socioeconomic situation in Romania. In its current structure, the Romanian industry consumes as much energy and produces as few goods as the communist industry. Not being supported by the industry, the agricultural sector has made too little progress toward becoming profitable, even after the revolution. Exports are not satisfactory. Romanian products are not competitive. Imports at times tend to substitute for the insufficient production of domestic goods. Only a complete change in industry and agriculture can resolve the chronic crisis of the economy. The inevitable social price of the reform is unemployment, but there is no other viable alternative. The economic policy of the current government thought that it could preclude unemployment and the bankruptcy of unprofitable enterprises. The outcome of that populist choice was a generalized financial blockage and the emergence of inflation phenomena. Unlike unemployment, which affects only certain segments of the population and may be controlled by social protection measures and by a correct redistribution of the labor force, inflation affects the entire population and cannot be kept under control. The immediate effect is galloping prices and salaries.

In these conditions, the PAC believes that the economic priorities are financial unblocking, halting inflation and strengthening the national currency, protection against unemployment, and privatization. The PAC believes that an essential role in the reform is incumbent on the trade unions. Social protection is the specific work of trade unions. The PAC supports the efforts of the trade unions to create a genuine social contract that should necessarily involve three factors: the patronate, the trade unions, and the government. The duty of the trade union is not only to achieve this contract, but also to educate the public to the laws of a market economy.

At the moral level the PAC promotes the idea of the need to change people's mentality. The most powerful communist sequel is present in people's mentality, behavior, and language. A civic society is a society made up of people with a sense of responsibility and initiative, free and capable of respecting others' freedom. Democracy is a demanding form of social coexistence. The transition from dictatorship to freedom involves difficulties and risks that can be preempted only through a careful civic, political, and moral education. Along this line the PAC reaffirms the role of religious education and of the church as an institution.

At the same time the PAC believes that the right to have a faith and to express it, regardless of the form of expression, is one of the inalienable rights of the citizens. Freedom of religion is the gauge for the internal freedom of the individual and the society. The PAC is concerned about the situation of the youth.

Material and moral investment in education, instruction, and culture is one of the levers of the process of change of Romanian society. The country's youth constitutes both a force and a social issue.

The youth must be given back their hope in the future and be motivated to participate in the national reconstruction. At the other extreme, the pensioners, aged people in general, the handicapped, and all the underprivileged categories must be restored to a dignified life free of want.

The PAC believes that the level of democracy of a society can also be measured by its capability to integrate all the categories of citizens.

The PAC believes that tomorrow's Romania will be the way its citizens are building it today. The PAC feels responsible to history for the fate of each one of the country's citizens and for the fate of all of us.

The PAC believes that only reason, tolerance, and honesty will allow us to follow the path of democratic reform and stop any attempt to restore communism.

#### **Data on Civic Alliance Party, Leaders**

92BA0087A Bucharest ROMANIA LIBERA  
in Romanian 15 Oct 91 p 9

[Article by Raluca Stroe Brumariu including biographies of Monolescu, Popovici, Tanase, and Jovin: "All About the Civic Alliance Party"]

[Text] After the tragic events of 1990 the idea of establishing an organization of the civic society became a need. The purpose of this civic organization was to channel whatever hope was left of achieving human rights, a state of law, and reform toward a genuine market economy and to try to support the unity of the opposition. After a few months of consultations among various associations—University Solidarity, GDS [Group for Social Dialogue], GID [Independent Group for Democracy], 15 November-Brasov, and the Students' League—and cultural and social figures, on 7 November 1990 a Declaration of Principles signed by the 218 founding members of the Civic Alliance was published. The Declaration was the certificate of birth of the Alliance. One week after the Declaration appeared in ROMANIA LIBERA, the Civic Alliance organized a meeting commemorating the anticommunist rebellion of 15 November 1987 in Brasov, which was attended by over 100,000 persons in Bucharest alone. On 1 December 1990 the Civic Alliance organized a symposium on the Alba Iulia Unification at the Romanian Athenaeum. By mid-December the Alliance held its national convention, which passed the organization's Statute and Charter and elected a Steering Council made up of 27 members and a Coordinating Committee made up of 11 members. Immediately after the convention the Civic Alliance began to operate as a body with an organizational structure with branches in every county. At the same time, however, a campaign was launched to discredit the Alliance and its leaders. The meeting of 12 April, held under the slogan "Reform and Truth," called attention to the dangers inherent in the government's reform and to its lack of transparency. One after the other, the leaders of the major parties in the democratic

opposition went up to the rostrum to speak to the people assembled in the Palace Square: Corneliu Coposu, Radu Campeanu, Sergiu Cunesco. Thus, the major mission of the Alliance: "Unite and we will support you," was at least symbolically fulfilled. However, soon the problem of involving the Alliance in Romania's political life became a permanent concern to many of its members. On 4 May a meeting was held in Sibiu at which an initiative group recommended the establishment of a political body that should directly involve itself in the political struggle, proceeding from the idea that the regime had remained deaf to all the Alliance's demands, meetings, and communiques and consequently, another kind of struggle had to be tried, an electoral and parliamentary-type struggle. On 7 July at the Civic Alliance Congress, the establishment of the Civic Alliance Party [PAC] was decided by vote, and the party was designed to operate as the political arm of the civic organization.

The major documents hammered out by the Civic Alliance were: the Declaration of Reconciliation (13 March 1991); the Charter of Fundamental Rights and Liberties (April 1990); and the Economic and Privatization Program (May 1991).

The Civic Alliance Steering Council, elected by secret ballot, is made up of Gabriel Andreescu, Liviu Antonesei, Vartan Arachelian, Petre Mihai Bacanu, Peter Banyai, Ana Blandiana, Delia Budeanu, Gheorghe Ceausescu, Emil Constantinescu, Iulian Cornateanu, Doina Cornea, Mircea Diaconu, Rodion Galeriu, Mihai Gheorghiu, Dumitru Iuga, Octavian Jurma, Eugen Leahu, Ioan Manucu, Viorel Oancea, Nicolae Prelipceanu, Traian Raia, Sorin Rosca-Stanescu, Mircea Sevaciuc, Valerian Stan, George Serban, Mihai Sora, and Radu Vladea.

The Coordination Committee of the Civic Alliance is made up of Ana Blandiana (chairman), Petre Mihai Bacanu, Emil Constantinescu, and Mircea Diaconu (vice chairmen), Valerian Stan (secretary), Vartan Arachelian, Peter Banyai, Mihai Gheorghiu, Eugen Leahu, Nicolae Prelipceanu, and Mihai Sora (members).

The PAC National Council, elected by secret ballot, is made up of Alexandru Atanasiu, Calin Besliu, Lucian Buligescu, Dan Capatina, Radu Chesaru, Nicolae Constantinescu, Doru Cosma, Radu Dan, Smaranda Enache, Virgil Feier, Radu Filipescu, Vasile Gogea, Dan Grigore, Stere Gulea, Gheorghe Jovin, Nicolae Manolescu, George Navon, Emil Negrutiu, Ioan Paun Otiman, Alexandru Popovici, Vasile Popovici, Stefan Radoi, Ana Sincai, Stelian Tanase, and Nicolae Taranu.

Nicolae Manolescu was elected chairman of the PAC. Vice chairmen are Ioan Paun Otiman, Alexandru Popovici, and Stelian Tanase. The spokesmen are Alexandru Popovici and Radu Chesaru.

Nicolae Manolescu—Born in Rimnicu Vilcea on 27 November 1939. His parents are teachers. His father, Petru Apolzan (1900-86), a member of the Tatarescu wing of the PNL [National Liberal Party], was arrested

on 15 August 1952 and detained without sentence until 1954. His mother (nee Manolescu, 1909), was also jailed without trial between 1952-54. In 1953 Nicolae Apolzan was adopted by his maternal grandfather and changed his name to Manolescu.

He went to school in Sibiu and Rimnicu Vilcea. Between 1956-62 he was a student at the School of Philology in Bucharest. In 1958 he was expelled on account of his "record." University diplomate in 1962, Ph.D. in 1974. He is a tutor, assistant, lecturer, and current professor at the School of Humanities, Romanian literature department. He is a member of the Board of the School of Humanities and of the Bucharest University Senate. He is vice chairman of the Higher Accreditation Commission of the Ministry of Education and Science.

He began writing for the press in 1961 and as an editor in 1964. He has published approximately 20 works of literary criticism and history.

He served as deputy chief editor of ROMANIA LIBERA (1971-74) and has been a director at the same newspaper since 1990.

He was not a member of the PCR [Romanian Communist Party]. In 1990 he was elected to the Steering Committee of the Civic Alliance. He has been chairman of the PAC since 1991.

Professor Alexandru Popovici—Vice chairman and spokesman of the PAC. He is a university professor, prorector of the Ploiesti Oil and Gas Institute [IPG].

He was born 14 January 1941 in Bucharest. He graduated Ion Neculce high school in Bucharest (1957). The same year he enrolled in the Bucharest Polytechnical institute, from which he was expelled in the second year for political reasons. He enrolled in the post-highschool school of design technicians, and at the same time was working at the Vulcan plant in Bucharest for a while. In 1961 he was accepted at the Institute for Oil, Gas, and Geology in Bucharest; was graduated with honors from the School of Oil Machinery and Equipment in 1966. He followed a university career at IPG. He belongs to the IPG Board and Senate, and currently serves as its prorector. He was a member of the PCR from 1968 to 21 December 1989. He is a founding member of the Civic Alliance; member of the Directorial Board of the University Solidarity; member of the National Council of the Democratic Antitotalitarian Forum [FAD]; chairman of FAD Prahova County since its establishment.

Stelian Tanase—Born in Bucharest, 17 February 1952. He is a graduate of the School of Philosophy class of 1977; a political scientist, journalist, writer.

He has been involved in clandestine activities since 1983. Had been under Securitate watch since the mid 1980's. He is co-author of the protest letter signed by 21 young Romanian intellectuals in 1989. He was an active participant in the revolution of 21-22 December. He is a

founding member of the GDS and of the magazine '22,' which he managed between January-December 1990. He founded the weekly ACUM, January 1991. He was among the initiators of the Civic Alliance movement in the fall of 1990 and one of the promoters of the PAC. He actively participated in the University Square phenomenon. He is vice chairman of PAC.

Dr. Gheorghe Jovin—Born in Bucharest, 3 August 1933. Graduated high school in 1951. Between 1951-57, was astudent at the School of General Medicine. He was expelled between December 1952-June 1953 because of his father (Ion Jovin, a political detainee 1949-54). During that time he worked as a lathe apprentice at the 23 August Plant, currently Faur. He worked as a district physician between 1957-61. Since 1961 was employed as a physician in Bucharest at the Institute for Medical Evaluation and Recovery of Working Ability, the Grivita Rosie United Hospital, and the Fundeni Clinical Hospital. He obtained his medical doctorate in 1975. He is currently chief physician, head of the Nuclear Medicine Laboratory and Ultrasound Radiology at the Fundeni Clinical Hospital. He was not a member of UAER [expansion not given], the UTM [Union of Working Youth], the UTC [Union of Communist Youth], or the PCR. He is a member of the PAC National Committee. He has served no sentences. He is married, with three children. He is an associated professor of imaging at the Radiology Department, deputy chairman of the Radiology Association, member of the Administration Council of the Fundeni Clinical Hospital.

#### **Manolescu on Opposition, Monarchy, PAC Future**

92BA0072B Bucharest ROMANIA LIBERA  
in Romanian 15 Oct 91 p 9

[Interview with Nicolae Manolescu, chairman of the Civic Alliance Party, by Raluca Stroe Brumariu; place and date not given: "Honesty, Realism, and Efficiency"]

[Text] [Brumariu] The Civic Alliance Party [PAC] was established in July of this year. How have you managed to organize during these months and what signals have you received from the rest of the country?

[Manolescu] Immediately after the court registration on 1 August we proceeded to organize into regional branches and sub-branches. We formed the PAC nuclei with members of the Civic Alliance. These nuclei became branch and sub-branch committees. Currently we have branch committees in every county and in all Bucharest districts.

[Brumariu] What is the situation in villages?

[Manolescu] The watchword was that all the county committees should go down to the county communes; teams were formed and they canvassed the villages, so that by now we may say that in some counties we have rural branches stronger than in the city. That is the case in Suceava and Constanta Counties. So we can do it!

[Brumariu] Is it true that you are organizing free medical services and legal consultations for those who cannot afford to pay for such services?

[Manolescu] Yes, we organized legal and medical consultations in Bucharest and other places; some are already operating, others were postponed because of lack of space. Just a few days ago we managed to open a legal consultation office in Bucharest. In this kind of activities we worked together with the Civic Alliance.

[Brumariu] Is it possible that at some point the PAC will swallow the Alliance as a civic movement?

[Manolescu] No, because in the civic organization there are also members of other parties; on the other hand, the civic movement has more than political objectives, whereas the mission of the PAC is purely political.

For the time being we rely on the organizational capabilities of the Civic Alliance, on its reach, and on its very large membership.

[Brumariu] PAC is said to be a party of intellectuals. What is your view as chairman of this party?

[Manolescu] All the parties were established by intellectuals and so was the PAC. At present, however, judging by the branch membership I can say that the PAC is far from having the character of a party of intellectuals. This impression of an intellectual elite comes from the fact that people who are already known, who appear on television and give interviews are always more visible than regular members without name recognition or a national reputation. This fact is creating a misleading effect and making the PAC appear as an elite party or even a club. The PAC, however, is a fairly extensive party, even if it's not a mass party. In fact, there is no such party in our country. The Front is not a mass party, either, rather a party of cadres.

[Brumariu] How do you plan to counteract the FSN's [National Salvation Front] political strategy?

[Manolescu] There are two issues here: First, I would say that our main problem is not to counteract the Front's strategy, but to create our own strategy. For a while the opposition was accused of limiting itself to criticizing the political, economic, and social tactics and strategy of the government team. We proceeded from the idea that each party is all the more credible as it has its own strategy. The second aspect is that by definition this strategy differs in some regards from the strategies of the other parties and thus, from that of the government party. Here we can choose between two attitudes: a more critical, radical one, to the effect that the strategy of the government party was completely wrong and must therefore be rejected as a whole, or that the strategy of the government party featured correct segments and measures and that the differences are rather in the general concept than in the details. I think that the latter approach is more realistic. Excessive criticism can serve no purpose.



[Brumariu] Fairly recently one FSN representative stated that the PAC program is a political plagiarism of the Front program. Do you view this statement as false, or do you think it contains a pinch of truth?

[Manolescu] The number of economic, political, and social ideas at a given point in history is limited. I admit that the FSN's 22 December platform was a noteworthy platform, and I am even saddened to see how one by one its points are not only ignored, but even downright rejected, as in the case concerning the separation of powers in the state, which Mr. Marian Enache vehemently disputed in the Constitutional Assembly on grounds that it was self-understood. Such a statement is legally and logically completely false. Nothing is self-understood in the text of a law and even less so in a constitution. So if we're talking of that initial program, some of its ideas inevitably migrated to the platform-programs of all the political parties. When a country moves from dictatorship to democracy, it can follow a given number of paths, but not an infinite number. The means and methods are limited, so similarities are inevitable. The PAC does not especially want to have a heavily original program. It wants to have an efficient, correct program that can be implemented. Very possibly some of their ideas appear in our platform, too, just as some of the ideas from the Declaration Appeal recently issued by the PAC made their way into the Reform Charter after the government party issued a communique rejecting our viewpoint out of hand.

[Brumariu] What are the fundamental differences between the PAC and the other opposition parties?

[Manolescu] On this point we have to say several things. Immediately after the revolution countless political parties appeared, among which the historical parties, the PNL [National Liberal Party] and the PNT [National Peasant Party] became established, although unfortunately not as strongly as would have been desirable. Those parties had and still have today a certain nostalgic character. They are so bowed under their own history—having played a great role in Romania's history—that one perceives a certain attempt to pick up the thread of history at the point where it seemed to have broken, after World War II, as if nothing had happened between 1947-90. We were against the idea that some periods of history can be enclosed in brackets and erased. Of course, there is no reason to reject what worked in the past, but no past structure can ever be revived. After 45 years of communism too many things have changed in this country for us to simply patch up the old thread. We believe that the best thing is to analyze the situation as closely as possible, with all the necessary realism, and to establish measures in line with the current level in Romania and with people's mentalities.

[Brumariu] What is the PAC's position toward the monarchy?

[Manolescu] Naturally, we don't recognize the validity of the act of 30 December 1947, but more than 40 years

have passed since then. Therefore, the people must first be consulted to see whether they want a monarchy or not. The only legal means is a referendum. However, such a referendum cannot be held unless the public has had lengthy and correct information. It would be both enormously risky and useless to hold a referendum now; it would be rather dishonest toward this country to face it with a choice for which it is not prepared. Romania's form of government depends on this referendum, consequently this choice has to be seriously prepared.

[Brumariu] In the meantime, however, the Constitution will be passed with that point saying that Romania is a republic, not a monarchy....

[Manolescu] Everything can be changed, even a constitution.

[Brumariu] What political alliances do you have in mind for the elections?

[Manolescu] We belong to the Convention for the Establishment of Democracy, which incorporates six parties; we will probably go with the Convention parties both to the local and the legislative elections. Depending on the electoral law, we will present joint lists and candidates.

[Brumariu] Where is the PAC located on the political chessboard?

[Manolescu] From the beginning the PAC positioned itself at the center. On one TV show Mr. Brucan made a joke and said we were the center party, and I see no reason to reject that position. We wish to be a center party in order to have the means to be as open as possible to both ends of the political spectrum. However, the ideas of political center, right, or left must currently be viewed with great caution in our country. They can be correctly evaluated only in conditions of a normal and developed parliamentary situation, but in today's Romania they cannot be correctly applied. For example, you can see how the extreme right and the extreme left are now collaborating in our country. So what does the right-wing mean and what does the left-wing mean?

[Brumariu] Do you have experts or specialized commissions for economic, political, social, and other areas?

[Manolescu] From the very beginning we organized special commissions of, let's say, two types: permanent commissions for our technical assistance needs, and ad-hoc commissions, such as the electoral commission, for example. These commissions are made up only of professionals who meet periodically and provide us with program or strategy elements required at various points.

[Brumariu] What are the relations between the PAC and the trade Unions?

[Manolescu] The Civic Alliance had in a way privileged relations with certain trade unions. We inherited those relations and endeavored to expand them. We are in direct contact with Alta, the UCN [expansion not given], and with many of the important trade unions belonging

to this group, as well as with unaffiliated trade unions. Our relations with the trade unions consist primarily of mutual information and efforts to jointly examine certain complex socioeconomic phenomena. We asked the trade unions to give us capable and honest people to run for the communal councils.

[Brumariu] In your view what are the most urgent requirements at this time?

[Manolescu] From an economic viewpoint, the most urgent requirement may be a reform based on a correct concept, capable of unblocking the economic mechanism. The balance between unemployment and inflation is a delicate one, and it is our impression that the stress placed on price liberalization, i.e., on inflation, was a mistake in the Front's economic strategy, which attempted to halt the unemployment explosion for populist reasons. In our opinion, however, the opposite stress is preferable, the stress on unemployment, which affects less extensive categories than inflation, and which can still be controlled by appropriate social protection and by a redistribution of the labor force.

[Brumariu] Do you think that one can win in politics with complete honesty?

[Manolescu] We don't want to win at any cost. In spite of the warning that politics and morality are incompatible, I think that after 45 years of political immorality, politics needs to be moral at least for a while. Almost nothing can be done without honesty. This has been proven by almost two years of FSN politics, against whom I hold primarily the attempt to hide the real problems in order to not lose credit, the dishonesty of certain means used by the government party, and the difficulty it has admitting (when it does admit) its own mistakes. Several consecutive governments will have to sacrifice for the economic reform.

[Brumariu] Do you think there is any chance of communism coming back in Romania?

[Manolescu] The men in power come from all over, because the Front is an ideal platform for opportunists. Many of them do have a communist mentality. Nevertheless, I think that a return to communism is not possible. That is why it should be realized that people must not be lied to anymore and that they must be correctly informed.

### **Romania Mare Party National Congress Described**

92BA0071B Bucharest *TINERETUL LIBER*  
in Romanian 15 Oct 91 p 3

[Article by Ioan Lascu: "Strong Nationalist Strains and Something Extra"]

[Text] Last week the first national conference of the Romania Mare Party [PRM] was held at the Romanian Rhapsody Hall. The conference was attended by

founding members, chairmen and vicechairmen of regional organizations, and guests from other parties (which remained nameless).

Several speakers expressed the view that the PRM had a well founded program based on the country's current interests, and that it approached life within a coherent social, political, and economic framework, not "in slices," like other parties. They stated that the PRM was in the midst of a process of structural gelling and that it was encountering serious material difficulties, because of which it did not have offices anywhere in the country. (In any event, it is not the only one. Lack of offices is also claimed by other parties, from the Socialist Labor Party to the Civic Alliance Party, for example.) The PRM claims to be a necessary party and a party with a large audience: "We are not a conjuncture party, nor are we a caste party."

Bitter criticism was voiced about the reform conceived and begun by the Roman government which "did nothing but put out fires and worked in slices (only in the financial and commercial areas), and did not rest on a comprehensive reform." The reform could not be initiated using the ideas of foreign experts ignorant of the specific character of this country. The PRM, too, is concerned about privatization, but that must be based on the issues of the various social groups which were neglected. On the other hand, in one way or another peasants did get land under the land bill, but they don't have access to either equipment or advantageous loans.

Miss Maria Manu, chairman of the PRM Women's Organization, made a remarkable declaration of...ardent devotion: "I am happy to be able to participate in the first PRM conference!" Then she opined that the mission of the archangels in the struggle to unmask evil falls on the magazines *EUROPA* and *ROMANIA MARE!* (It was a good thing that this statement came from inside the PRM. Because if we won't sing our own praises....)

Engineer Nicolae Vasilescu, chairman of the youth organization, read a brave UTC [Union of Communist Youth]-style report in which only a few terms and the system of reference were new. The most amazing element of his report was the detail that the PRM sponsored the Autobuzul soccer club, which should hopefully become the second means of propaganda after *ROMANIA MARE!* (They can use as models older practices related to the Olt, Victoria, and Flacara Moreni soccer clubs.)

Professor Ion Furo, a Romanian citizen of Hungarian origin, after talking about a few education issues added "a few words about the national problem." He served as state secretary at the former Ministry of Education and Instruction, about which he thought it ensured a relatively good education for the youth! He did not agree with separating students and teachers along ethnic criteria. He was not against education in the languages of the minorities, with the exception of higher education. Exceptions to the...exception: departments for minority

language teachers, theater departments, and so forth. "We don't wish to enter Europe, we are in Europe!" (Perfectly true; all we have to do now is persuade others by our actions.) "The PRM does not spread chauvinism, anti-Semitism, and anti-Hungarian feelings." (Using words to deny facts resembles not only false self-exoneration, but diversion, too.) Then came a panegyric: "Belonging to the PRM is an honor!" He requested access to television broadcasts because "they were treated like lepers." He requested that the PRM chairman immediately come on the air with a retort "when he is insulted." (We'll probably need a daily Romania Mare broadcast!) And he also requested that President Iliescu receive a party delegation.

Among the guests, Mihai Unchescu took the floor. He is not a PRM member, but he is convinced that any available forum should now be used to discuss the situation of Romanian culture. He was happy to be able to write for ROMANIA MARE, which has allowed him to comment in writing about "the holocaust of Romanian culture." All the cultural institutions have been left in the hands of nonexistent Mecenas. Who will sponsor culture and who will defend the national heritage? ROMANIA MARE is keen on supporting a "cultural reconquest." He recommended state subsidies for national propaganda designed to neutralize the anti-Romanian propaganda spread by books published in Hungary; issued a warning against the Ukraine's imminent territorial claims on the Republic of Moldova; and complained about the fact that ROMANIA MARE and its collaborators are classified as fascists.

PRM Chairman Corneliu Vadim Tudor, who according to Radu Theodoru "needs no introduction," began by declaring that the PRM was a peaceful and well-balanced party. He did not approve of violent street politics; condemned the accusations leveled at ROMANIA MARE by... "mercenaries of instability." He rejected the identification of the Romania Mare movement with the Iron Guards and specified: "But we don't want to engage in polemics against anyone!" Currently politics "is a savage struggle for power." "We have more than 100 parties, but at the most 10 valuable politicians." Responsible for this situation was not Ceausescu's bequest, but the Balkan spirit! In the name of national reconciliation he demanded the release of all the political detainees of 22 December 1989: "It is shameful that these old, ailing people (sic!) should languish in prisons for no fault of their own," because, wouldn't you know it, "socialism did more good than harm!" He launched into a fulminating tirade in praise of N. Ceausescu's "foundations." (He finally stopped, interrupted by applause.) I was expecting the audience to begin shouting "Ceausescu and the people!" After which the speaker retracted: "I don't support Ceausescu!" He deplored the looting of the People's House (No one condones theft, even when it was a matter of the "foundation" in question.) "If things had been going well in Romania, no one would now be talking about Ceausescu." He described ROMANIA LIBERA, DREPTATEA, FLACARA, EXPRES, etc., as

"abominable publications." He said that the members of the former government had one, big master: International Free Masonry. He suggested, as an alternative to the government, that the Army take over the major institutions in order to achieve complete discipline in all the areas! (In other words, a transitional military dictatorship; did the speaker see no other viable solution for overcoming the crisis?!) He offered the support of the PRM to the new government on condition that Theodor Stolojan will not fall victim to Petre Roman's pathological pride; and concluded by quoting Ionel Bratianu: "You can shoot me if it doesn't end well!" Amen! C.V. Tudor's frenzied eloquence is rich in traps. It remains to be seen who will fall into them.

### Outgoing Ministers Queried on Cabinet Performance

92BA0072A CURIERUL NATIONAL in Romanian  
9 Oct 91 p 3

[Unattributed article on answers by Roman cabinet ministers to CURIERUL NATIONAL questions: "Government Passes On the Baton"]

[Text] As we see, it is easier to bring a government down than to form a new one, be it even for a limited period of time. At this point we know that the general elections have been set for the end of March or beginning of April.

Only a few days after the resignation, laying down the mandate, or fall of the government—all of these terms have been used—we have become accustomed to the idea, for the first time in 45 years, that governments are nevertheless transitory and that in a genuine democracy their fate is to change once in a while.

Against the background of written or oral commentaries and speculations as to why, how, and who is moving the chess pieces on the current political board, today we continue publishing the replies given by outgoing government ministers to our newspaper's questions, which we will remind you, were:

1. How do you feel as a member of a former government?
2. What important achievements do you think you are leaving behind you?
3. What about unresolved problems? Any possible mistakes you may be imputing to yourself?
4. Whom can you see following you in your post?
5. What will you be doing after the new government is sworn in?

We hope everyone will agree that regardless of what happened or will happen, general interests must take precedence over personal ones, ephemeral by definition.

### Eugen Dijmarescu, minister of economy and finance:

1. I feel I am in the terribly uncomfortable position of a powerless person. Here we are on the brink of winter,

with very many problems that should be immediately resolved, but our competencies are limited to current management, unable to take measures of economic policy. The dissatisfaction is also compounded by the fact that we have a well-outlined agenda.

2. I think we are leaving behind an irreversible socioeconomic path. Although so far the reform was more coherent on paper and less palpable in the general results obtained throughout the economy, it is nevertheless visible at some enterprises. People have gathered courage and faith in the reform is spreading. Moreover, we were at the stage at which major investors had come into Romania. However, there is still some distance between setting foot here and signing and implementing agreements. Now everyone will have to wait to see whether there won't be a return to centralized raw material allocation, strict currency control.... The social rebellion that led to the government's resignation essentially contested the market economy itself.

3. Perhaps we failed to gain sufficient credibility when we said that this is not a time of ease, but a time to tighten the belt. I tried to explain these things in interviews and in discussions with trade unions. Unfortunately, aside from a few government members and state secretaries—very few—no one attempted to explain the reform. As of this month, since we were due to complete an important stage—that of currency convertibility—we were planning to have talks with enterprise managements, with the future employers, with all the staff of administrative structures—state secretaries and under-secretaries—and with regional and prefecture officials about the exact sense of the next moves. We found very good understanding on the part of the ministries leaderships and some of the deputies, albeit not all. As for the rest, at the intermediary levels there was always the temptation to overinterpret government statements beyond the necessary and to seek other explanations behind it, instead of taking them at face value; then, in implementing government laws and decisions, there was the temptation of the same enteties to generate orders and instructions that practically distorted the signal conveyed. Even messages from bank managements reached the field and the enterprises distorted; the mechanism was wrongly grasped, including the regional use of public finances.

Regretfully, I must say that we were on the point of establishing one of the most important banks in Romania, the Financial Bank—State Treasury—which was to finance investments, as well as current activities. Now everything is in the air until it will become clear that the new government indeed wants to apply the principles of the economic program approved by Parliament.

The next cabinet, however, will have to deal with a great dilemma. While we intended to freeze prices and salaries on 1 October, the pressure now is exactly the opposite, namely, to freeze prices and renegotiate salaries completely out of sync with the productivity we record!

The greatest regret is that we didn't manage to create competition. We were very late with the privatization and with setting a single exchange rate. The achievements of those things would have generated competition, and with it, pressure on prices and on the immediate interests of enterprise or store managers to try to sell, rather than to exhibit unsaleable stockpiles; because profits come from selling, not from drawing tables to show justification. In such a situation we probably would not have had so much tension or so many reservations on the part of many citizens toward privatization and the market economy.

I can be accused of not implementing the reform with the same determination with which I imposed it. Because, indeed, we did not break those structures that were smilingly opposing us, with a smile generated either by corruption or by a conviction that they were doing the right thing. However, the experience of these months in government showed us that they undermined the reform, most of them unconsciously. We could have removed them if we hadn't listened to some of our colleagues in the government or at the next level who were telling us that those were decent people, good and capable people. That was probably true at the level of some mental or decisionmaking structure. But it certainly wasn't true where the reform was concerned!

Personally, I reproach myself for having spent too much time in the office. If I had gone out to the field more often, perhaps the situation would have been different. But I have to confess that I was held back by the idea of not relapsing into...history, resuming Ceausescu's working visits. But we should have done what we felt needed doing, and not been hiding behind cliches.

4. If I didn't know that he was designated as prime minister, I would have named Mr. Stolojan. In my attachment to the reform I may go as far as to say that a liberal could be a very good choice for this post on the part of the new prime minister. I cannot list names, but I have met very good people, some of them in Parliament. I worked with them and I observed their behavior. Thus, there is the chairman of the Economic Commission, or that of the Finance and Budget Commission of the Chamber of Deputies, and the chairman of the Senate Finance Commission. They are among the people I appreciate for their involvement in economic matters. The minister, however, must above all be a politician.

5. I don't exactly know. I realize that it won't be easy for me because I identified very much with the reform, something that didn't make the reformers very popular. I hope, though, not to find myself on the unemployment lists.

**Adrian Severin, deputy prime minister for reform and relations with Parliament**

1. I haven't yet had time to think much about this, but I want to point out from the very beginning that I do not view myself as a member of a resigning government, but of a government that was made to resign and that

refrained from making too much to do about this sui generis procedure so as not to cause additional tensions. We preferred to continue our activities as until now, because the country is facing great problems and we cannot allow ourselves any interruption. We have to pass continuing activities on to the new government. In spite of the slander contained in some press interviews, the Reform Council was conceived so as to last. Among the most important things I bequeath to the future is this apparatus of professionals ready to carry out work in political analysis, prognosis, and planning. I think that the necessary and wise thing for the next government will be to take over this apparatus. I hope it will.

2. I think that the most important thing we are leaving is the concept of the Romanian reform; I'm referring not only to the economic reform, but also to reforms in the political and legal areas and in court organization and local administration. History will verify all these as elements of great progress for Romania. In spite of various rash and totally unfounded statements, I can state that I am leaving behind something that only a few days ago was viewed by international experts as by far the best reform program in all East Europe. As Mr. Stolojan has already confirmed, the next government will continue to implement this program.

3. I am sorry that the reform was frequently confused with the manifestations of the economic crisis we are experiencing. I very much regret that the last important stage of the reform—the establishment of a single exchange rate—scheduled for the Friday on which the miners were running wild in Bucharest, did not materialize. It would have been a splendid finale for an economic program described by many as ambitious and, for myself, a source of great satisfaction that Romania would have been the only country to have fully observed the program announced. I regret that we were unable to complete the court organization reform, which had been greatly slowed down by conservative factors opposed to the reform. I regret that time did not allow me to do more about reforming local administration, as well as education and scientific research, which I strongly recommend as a project of long-term effect.

I reproach myself for the fact that the reform did not go faster, even if others criticize me for the fact that it was too fast. I don't think that any Romanian would have been sorry to see his hardships end sooner. I think I was wrong to accept certain compromises under the pressure brought to bear on us, but I hope that will be a lesson for the next government: Half measures are not good and compromises are expensive. They are responsible for the fact that the transition was drawn out, for many of the people's hardships, and for events such as those on 24-28 September.

We were also criticized for a certain lack of transparency and for too little effort to explain the reform. Let's be serious and not beat our breasts for no good reason! The reform in Romania and in East Europe in general is a process of an exceptional complexity which often even

the experts have trouble comprehending. What we lacked was not so much some didactic contact with the public, but a broader and warmer emotional relationship with people. They could have supported the reform better not because they would have understood all its technical and scientific aspects, but because they would have glimpsed the prospects and advantages that it will bring and would have gained greater faith in its promoters. The enemies of the reform, though, acted more cleverly: They didn't criticize the reform, but they slandered the reformers. And if this fact was not directly responsible for the fall of the government, it did foster a certain apathy among the public, who did not intervene to support the government when the latter was threatened by forces hostile to the reform.

4. I never thought about that, although I might have done better to prepare an alternative myself for a possible replacement. But I also find it very difficult to answer because it is a very difficult post in view of the variety of problems linked to coordinating the reform and integrating it in the country's social and political structures. On the other hand, it is possible that this post won't even exist in the next government, because in the coming stage the stress will be shifted from the conception to the implementation of the reform, so that the duties of this post will be able to be distributed among several ministries. Anyway, I am fully convinced that all my aides are capable of ensuring the operation of the structures we created.

5. Although I am tempted to unload this almost inhuman work that I've been doing for over a year, I do feel capable of continuing, if I am asked to. I think that a certain continuity is necessary both for the credibility of the government in the country and abroad, and for the success of the government's endeavors. Even if I won't join the new government, I will put at its disposal everything I can share from the experience I gathered in this unique process in history. I would also like to contribute to bolstering the government party; the party must progress, its ideology needs to be better defined, and its structures must become more coherent. I will gladly do this kind of work at the side of the FSN [National Salvation Front] national leader and other members of the former government, in the conviction that we must strongly support the reformist faction of the party against the background of the turnaround of the conservative groups favored by this apparent government failure. I will continue to teach a class in compared commercial law at the university, as in the past. And finally, I hope to find the time I so much yearned for in order to think and to write in my basic profession, as well as about my experience as a member of government, which I think is worth sharing.

**Victor Atanasie Stanculescu, minister of industry**

1. First of all, I want to point out the untruth of the statement that I allegedly resigned one day before the government did. During this time I thought that I should continue my work at the Ministry in view of the difficult

situation of the country and the Romanian economy. As for the government's resignation, I view it as a normal phase of democracy, considering the fact that people's expectations were not met.

2. Behind me? A well-chosen apparatus capable of overseeing industrial activities and immediate and long-term programs in several areas designed to ensure normal production processes, and the regret that five months were too short a time to restore a whole bogged down industry. Anyway, as a last achievement I would stress the prospects for resolving for this winter the conditions required for the production process and for ensuring electrical and thermal power for the public.

3. The impossibility to stop, within the very short time we had at our disposal, the decline in the production of branches such as the extractive industry, primarily in the production of coking coal, oil, and gas, because the government was not able to procure the financial resources that needed to be invested. We needed such resources to maintain the extractive capacities or even to resume the production stopped because of precarious technical conditions. I believe that more could have been done in this area if the Ministry of Economy and Finance and the Ministry of Commerce had supported all our initiatives!

4. First of all I think that the choice must be made by the prime minister designate who can select his close collaborators in line with the tasks of the economy. I am convinced that the team established at the Ministry of Industry will be able help the future minister very efficiently in this area.

5. In view of the prospect of early elections and considering the dialogue held with a large number of people employed in industry, I think that I could rally the support of many of them if I were to run as an independent candidate in the electoral campaign, an idea that was insistently suggested by the daily AZI in three consecutive issues!

**Mircea Dan Popescu, minister of state in charge of quality of the life and social protection**

1. I continue to work as if nothing had happened. As it is, the position of outgoing minister is a novelty for the Romania of the past 50 years, and hence for me, too.

2. An almost completed reform in its legislative dimension. In addition, an awareness of the need to implement this reform despite all the costs involved.

3. Evidently, many. A relationship between prices and people's incomes that is closer to the truth.

4. Whoever may be coming, the difficulties are enormous and the amount of work exhausting. This is not an enviable post.

5. I will probably resume my scientific work.

**Mihnea Mameliuc, minister of labor and social protection**

1. Since I continue dealing with current tasks on a daily basis—some of which are really urgent and whose inherent impact on at least the near future cannot be arbitrarily lopped off—I don't feel the change of status to which you were referring. In fact, I feel as what I am: a member of a government that is still in that position and will be until the day that the Parliament approves the list of the new government, aware of the fact that no modern state can admit a vacuum of action and of executive authority. The public law principle of the continuity of the legal entity of the state is at work here.

2. a) The promotion of draft bills that constitute the basic labor legislation (collective negotiations, collective labor conflicts, unemployment, trade unions, etc.); the regaining and later the progressive assertion of Romania's status as an equal member in the ILO [International Labor Organization]; b) Active bilateral relations and the signing of agreements on technical aid and cooperation in areas such as labor market, labor forces, professional employment, work training and retraining, etc. (with Germany and Denmark); c) The modern reorganization of the Romanian Management Institute instead of the former CEPECA [Center for Advanced Training of Management Personnel in Enterprises], and once again placing it under the aegis of the three institutions that were initially responsible for its establishment: the International Labor Bureau, UNDP [United Nations Development Program], and the Ministry of Labor and Social Protection.

3. Certain more in-depth programs in the area of social protection, i.e., regarding pensions and social aid and living and working conditions for certain social and professional categories. The objective limitations placed on the fulfillment of those projects were consistently attributable to financial resources. Mistakes? Others can see and highlight them better. I am prepared to admit them. Personally, I have nothing to impute myself. Regrets? That I didn't bring the struggle inside the government, that I was "a good boy" and didn't "fight" tough enough against political methods and for imposing certain social projects and securing for them a top place in the hierarchy of financial priorities.

4. The job of the labor minister is a thankless one; its discharge involves enormous difficulties, responsibilities, and risks. I don't want to name any names, in case they accuse me of being "a prophet of doom" if they are indeed appointed. It should be someone young and energetic, but also moderate, a jurist by profession—and a good one—but with experience in the economy and with stable relations to enterprises and trade unions. I fitted this image only to a limited extent.

5. I think that I will resume my work as a defense lawyer with the Bucharest Bar, naturally, if my clients and colleagues still want me....

**Gheorghe Stefan, minister of education and science**

1. I have no particular feeling about it.

2. Even if there are some, they will only become visible with time, on condition that no destructive elements intervene in the next stage.

3. In the area of education 15 months were enough merely to begin to resolve the important issues. I did not manage to eliminate corruption and incompetence to a sufficient degree. I only managed to suggest certain mechanisms apt to put into motion processes of self-correction in education.

4. I am not a seer.

5. I will resume my teaching career.

**Andrei Chirica, minister of communications**

1. First off, I was continually aware of the fact that government jobs are not forever. Hence, daily activities are proceeding as usual and we are endeavoring to complete the things we started, especially in the area of cooperation with foreign partners. At the same time, I'm trying to gather together aspects of things that were achieved and things that were not in order to pass on a clear picture of the issues and ensure continuity.

2. A completely new structure of communications based on the real and commercial economy:

—Full alignment to West European models of organization.

—The hammering out and approval of a 15-year strategy of development in communications.

—The organization of activities by clearly separating between telecommunications, radiocommunications, and press.

—The definition and operation of the Ministry only as a regulatory and strategic body, not as a body of operations, commercialization, or petty supervision.

—Many sided international relations and the establishment of joint companies with major equipment producers like Siemens and Alcatel.

3. Delays in the programs designed to train genuine managers, especially in the commercial area:

—Failure to achieve synergy in the establishment of the Ministry of Telecommunications (repairs and preventive maintenance).

—Failure to have an audiovisual [media] bill passed and thus to begin independent radio and television activities.

4. That is a function of the political decision involved in the formation of a new government:

a) If a government of politicians—I don't know, I don't have contacts.

b) If a government of technocrats—any of the close collaborators who shared the same objectives.

5. Considering the fact that I worked in telecommunications for more than 30 years (at all levels), I will continue working in this area, namely in the equipment industry or as a telecommunications operator.

**Petre Marculescu, minister of agriculture and food industry**

1. Stunned. For a moment I felt like something had been broken. We were working like we were possessed. And there is so much to do in agriculture! If necessary, I will have no trouble returning to my old tools after only two months as a minister, they haven't had time to rust yet.

2. I tried to shape a team of strong specialists at the head of the Ministry; people used to working and eager to work and I think I have succeeded, although the old structures are still rearing their heads at some levels.

When I was appointed minister I found the agricultural sector in the greatest possible disarray, which was compounded by the uncertainty created by the fact that property titles had not been awarded. Consequently, from the lonely position in which I found myself I tried to rapidly bring about the emergence of a set of government decisions apt to introduce some order in the existing situation. Among other things, I recommended the complete privatization of the network of stores handling meat and meat products; urgently reorganized the communal agricultural centers by hiring experts; transferred the FNC [expansion not given] under the control of the DAS [Health Care Directorate] in order to break the chain of factors adding good money to the price of meat and other products, and so forth.

3. Comparing what I have done in the two months I've been here to what remains to be done is like putting an ant hill next to a mountain. I'm not complaining, but in agriculture while you're solving one problem 10 other urgent ones crop up and you cannot possibly leave for tomorrow what you haven't done today. All that on top of the major, fundamental issues of transferring the agricultural equipment into the possession of the land owners and freeing 23 million people of the fear of what tomorrow may bring.

4. One of the tens of thousands of good professionals the country has. You realize how difficult it is to decide who is the best.

5. As I said before; in a way, each one is a minister in his own backyard. All I have to do is exchange my ministerial seat for that of a farm manager or of any production engineer, because that's the kind of "seat" I occupied for half of my life.

**UDMR Senators Discuss Separatist Initiative**

92BA0071C Bucharest *TINERETUL LIBER*  
in Romanian 15 Oct 91 pp 1, 3

[Article by Emilia Vasiliu and Mircea Florin Sandru: "Is Mere 'Distancing' Not Too Little?"]



[Text] The initiative of the "political group of the Szeckler Land," which would like to take the opportunity of the commemorative meeting at Lutita to promote the idea of autonomy for that area, has naturally elicited a strong reaction from the political forces involved and from all those who hold sacred the ideals of the national unity and territorial integrity of the Romanian state. The declaration by which the UDMR [Democratic Association of Hungarians in Romania] "distanced" itself from the intentions of the group in question, Mr. Geza Domokos' views published in ROMANIAI MAGYAR SZO of 10 October, and statements made by UDMR Parliament members in both Chambers, failed to completely dispel a sense of reactivated extremist, separatist groups that continue to wave the dangerous idea of ethnic enclaves on the Romanian territory. In this context, without exaggerating the facts but sensitive, like any Romanian, to declarations that question the idea of the country's unity, in the following passages we will try to clarify the "Szeckler incident" by asking several UDMR senators for their strictly personal views. An old Romanian adage says that "the language bends after the thought." Let us see, then, what the senators think, even if their views do not constitute a cutting stance toward the above-mentioned initiative of the "Szeckler Region group." The readers can form their own opinion.

Geza Szocs: First of all I think that we should clarify the term "land." This is not a matter of some ambition to have any kind of state identity; the term is used in the same sense as in Tara Oasului, Tara Motilor, etc. As we see, it refers to a geographical and economic region with certain ethnic and cultural traits. Second, administrative autonomy in a given area is not unknown in the experience of other countries and even Romania's. As you well know, until the mid 1960's there existed a Hungarian Autonomous Region, and later a Mures Hungarian Autonomous region. Of course, the model on which that region was patterned was a Stalinist model. Even at the time many among the Hungarians did not accept that model, and naturally neither did the Romanians. But, whatever the opinion of this group or the other, obviously the existence of that region did not lead to the disintegration of the country. Of course, the model in question was a bad model. That, however, does not mean that the idea of self-administration or local autonomy should be condemned. One proof of that is that this idea was picked up in the local administration bill that we are now discussing. When we talk of self-administration, what we have in mind is the European sense of the term. We must also keep in mind the stage we're going through. At present we live in a state of "legal vacuum," i.e., in a still unclear situation from the viewpoint of constitutional and legal forms. From this viewpoint, initiatives such as the Szeckler group's are hasty. In this kind of tense social and political context such an action is not welcome and cannot be accepted. I personally recommended that nothing be done until we clarify the legal forms of administration. The logical thing to do is to wait. If the country's legislation will permit the existence of such forms, then it won't be anything bad.

Karoly Szabo: These things are perceived differently even within the UDMR. The truth is that if we go by appearances or by elements that are stretched or even exaggerated, we can come to "tragic" conclusions apt to lead to the "need to take immediate measures." There is no doubt that we must wait and see what happens this Sunday; let's see whether the meeting announced will indeed take place and what idea will be circulated there. Personally I don't think that anything "terrible," anything designed to, God forbid, undermine the state's unity is being plotted in Lutita. You must realize that the Szecklers always had their own specific traits stemming from geographic, ethnographic, climatic, historical, and other factors. So whether we agree or not, these traits exist. But there can be no question of separatism, only of a wish to assert one's identity. We have the national security bill, the Constitution theses have been passed, and in keeping with them there can be no question of separatist intentions.

Iozsef Toth: I actually don't know any more than what has appeared in the press; we're talking about the declaration of that organization committee and the UDMR declaration. In my opinion, it can only be a matter of a commemorative meeting. That's all I know and that's what was discussed in Arad, where the UDMR leadership held a meeting. Views were expressed both for and against, you must have seen the communique. I don't think that anything will happen there. Unfortunately, not for the first time people are making a mountain out of a molehill and exaggerating.

Gabor Koszocar: I was in Arad, too, and only one person presented a report of his own views or possibly the views of a very small group of people. From what Mr. Katona said I understood that not even he has in mind any enclave or territorial isolation. As you know, a declaration was adopted after the discussions, as well as a statement on the UDMR position on this question. I hope you noted the viewpoint that the autonomy of every region and locality must be achieved within the process of democratization and decentralization, in compliance with the law. Consequently, there is no question of a separatist action. Even in the unlikely event that the population of the so-called Szeckler Land did want autonomy, it would be isolated and separated from the other Hungarians, too. This kind of enclave in the middle of the country makes no sense.

Lajos Demny: I think that if anyone expects the UDMR to make declarations of loyalty three, four, or five times a week, that's a joke. A big to do was created around the "government in exile." I was surprised to learn that one of the members of that government was a Romanian. Nevertheless, at that point we had to declare our loyalty. I think that the Romanian public has had enough of this kind of declarations. Respect for the territorial integrity is built into the UDMR program. Once and for all, we support this idea and we don't have any other. Still, if people wish it, I suggest that UDMR draft a text and publish it at the beginning of every week.



## Minister of Economy, Finance Rejects Shock Therapy

92BA0099A Bucharest CURIERUL NATIONAL  
in Romanian 24 Oct 91 pp 1, 3

[Interview with George Danielescu, minister of economy and finance, by Adrian Vasilescu in Bucharest; date not given: "There Hasn't Been and There Won't Be Any Shock Therapy in Romania!"—first four paragraphs are CURIERUL NATIONAL introduction]

[Text] In the Doamnei-Lipscani area the financial market is at work. A stock market does not exist as yet, but will soon. There is no commodities market, either, but one will be opened before too long. But here is where the banks are located: the veritable heart of the financial market. The banks have been restructured and reorganized and are now operating on new bases characteristic of a free economy. This is also the home of the currency exchange, where the leu-dollar rate is established daily. Here is where exchange houses have been opened, along the lines of a stock exchange system, for the purchase of dollars and other freely convertible currencies. And this is also the "life center" of the black market, an "institution" still alive in Romania and likely to remain so...until official exchanges will have consolidated.

This is also the site of the imposing building of the Ministry of Economy and Finance. This institution may yet be relocated to the "civic center," but for the time being here is where it lives, in the heart of the financial market.

I ascend the steps of the monumental building. The architect probably had more in mind than a shocking effect, such as impressing anyone coming here on business. He deemed it necessary to grant the petitioner a last moment to recollect his thoughts before proceeding to a frontal attack on serious problems decisive for his business chances, investment, or bankruptcy.

The atmosphere in the office of the minister (the new minister of economy and finance) is sober. There is nothing calculated to impress, neither the furniture, nor the pictures, nor the rugs. No special effects to this decor. The only thing that is truly impressive is the youth of the person who has been entrusted with this post.

[Vasilescu] Minister Danielescu, what position do you attribute to your portfolio within the governmental formula?

[Danielescu] I don't know whether it can be assigned a numbered spot, like second, third, or fourth.... What is certain however, is that in view of the reform and the transition to a new, market economy system, the position of this ministry is one of the most important.

[Vasilescu] Did you know that in Sweden, whenever important events occur and the prime minister and the finance minister are invited to appear on television, the finance minister speaks first?

[Danielescu] No, I didn't. As far as the hierarchy of ministerial portfolios goes...each country has its own customs.

[Vasilescu] Do you believe that the Swedes attach an extremely great importance to finances?

[Danielescu] We, too, attach an extremely great importance to finances. The experience of close to two years of "exploring" the economic market shows that the finance portfolio has been reconsidered. One edifying example is the fact that Mr. Stolojan was elected to the primary position in the governmental hierarchy....

[Vasilescu] Minister Danielescu, what kind of financial policy will you promote?

[Danielescu] I do not intend to give the leadership of this ministry a personal note. I am convinced that I must take into account the current specific traits of the national economy. The important thing is that this sector should operate well in conditions in which most commercial firms are working with state capital. Our present mission is to ensure, together with the banks, the financial resources required for the progress of the reform. I am convinced that in this endeavor we need both flexibility and transparency. The public must be continually aware of our concerns and the solutions we recommend.

[Vasilescu] In some developed countries people go to special evening classes to learn, for example, how to fill their...income tax forms. Do you see any obstacle in the fact that our people have no financial education?

[Danielescu] I am concerned about that aspect. There is no doubt that the Romanian people are not familiar with the issues of a financial market. This is a source of many difficulties, both in understanding financial policy measures, and in applying and observing the laws in effect. People have trouble understanding, or do not at all understand, why the state cannot finance vital social sectors, such as health care or education, except from internal sources, i.e., from taxes. The state has no other means of mobilizing resources. The only other solution left is the one that was recently used: foreign loans.... Going back to taxes, however, the state is forced to levy taxes. Clearly they must be distributed so as not to cut too much into the revenues of the people and of economic agents....

[Vasilescu] Mr. Minister, one idea that has struck roots is that in our country the income taxes paid by individuals and firms are high and nonstimulative. What do you think?

[Danielescu] The idea that income tax in our country is high is false. I will tell you about one important tax, the tax on profit. I don't think that it is high at all. Economic agents that carry out productive activities are given incentives, and so are those who make investments. New firms do not pay tax for two years. A firm that produces—that is to say, one that puts commodities on the market and provides jobs—is exempted of tax for five

years. In fact, the revenues from this category of taxes provide undeniable proof that this tax is not high. Although this year prices increased several times, revenues from profit tax were not higher than last year.

[Vasilescu] Concerning the latter aspect, can it be that the main cause was the drop in production?

[Danielescu] I'm not denying such a cause. Nevertheless, revenues in absolute figures have not dropped. What happened, though? Instead of the old law on gains tax, this year we have a new law regulating the profit tax.

[Vasilescu] What are the advantages of the new law?

[Danielescu] Last year's gains tax was a reflex of the old economic mechanism. Enterprises first paid a gains tax...after which, anything left after the production costs were covered was paid into the budget. There was in fact double taxation. Now the profit tax is calculated on current revenues. The tax is paid on a monthly basis and there is no recalculation at the end of the year. Moreover, if part of the profits went to investment during the year, the tax is reduced accordingly and the investor gets back the money he spent.

[Vasilescu] It would seem, however, that the profits "planned" at the beginning of the year did not materialize. Consequently, the taxes are lower than planned and the state budget is suffering greatly....

[Danielescu] True. We do have a budget deficit. But I can assure you that this deficit remains within manageable limits.

[Vasilescu] So we can speak of a "planned" deficit?

[Danielescu] We can call it "planned," if you wish. But what counts is not the form, but the substance.

[Vasilescu] Controlled or uncontrolled, the deficit is growing. You found the state budget in tears.... The deficit is more than double the deficit announced at the beginning of the year.

[Danielescu] Yes, that's the situation. But the cause is not only the drop in profits. There have been great shortfalls in the sales tax. The reason? As everyone knows, it's the financial blockage: Payments are not being made and consequently, the taxes don't come in.

[Vasilescu] Do you think that Order 131, which introduced a sales tax in "stages," which is paid every time the commodities are sold on the way from supplier to retailer, to the stores, was good for the economy, or bad? Opinions are divided on it.

[Danielescu] I think that this system of taxation in "stages" has done something good for our economy. It marked an important step in preparation for the next stage, when we will introduce a new system, characteristic of a market economy, namely the value-added tax [VAT].

[Vasilescu] The famous VAT!... When do you think we will say goodbye to the goods sales tax and introduce the VAT?

[Danielescu] Not before 31 December 1992. Which means that the commodities sales tax will remain in force next year, too. The transition to a VAT-style system requires an ample preparatory stage. It also requires very high expenses. In this context, we will finalize an improved data processing system, ensure a large network of computers, and special cash registers.... There is also the issue of training personnel to work with this system.

[Vasilescu] What advantages will the country derive from the introduction of the VAT? Are the large expenses involved justified?

[Danielescu] The figures point to an affirmative reply. The new system will correctly indicate the contribution of each economic agent to the added value of a product. We will be able to know exactly whether a firm adds value or only consumes. I would say it will be a moment of truth in the Romanian economy.

[Vasilescu] Let us go back to the budget, please. Do you think that the deficit will increase by the end of the year?

[Danielescu] The probability is that, being, as I said, in control of the deficit, we will manage to keep it within the limits announced a few days ago.

[Vasilescu] Which is around 70 billion lei?!...

[Danielescu] Yes!... Unless we run into new situations or conditions.

[Vasilescu] Do you expect to run into complicating situations?

[Danielescu] We are on the verge of achieving uniform national currency rates. At present there is an official rate and a market rate. Very soon, however, we will have only one rate, which will be a market rate. The calculations made in preparation for this step (which I would describe as decisive for the transition to an internally convertible leu) took into account the current economic and financial situation of the country. It is, however, possible that factors we do not now perceive, may intervene. We still do not know exactly how much the leu will be devalued. The new rate will also influence the budget deficit.

[Vasilescu] From a two-speed currency (an official rate of \$1=60 lei and a market rate of \$1=300 lei) we will arrive at a one-speed or one rate currency. Will the new rate be set at the meeting point between the two presently existing rates?

[Danielescu] Probably. It will be set somewhere between 60 and 300.

[Vasilescu] The future rate of exchange is arousing mixed emotions. We're considering it with one laughing eye

and one crying eye. On the one hand we're encouraged by the fact that it marks an important step toward a convertible leu, but on the other hand it's discouraging because its first consequence will be a great increase in prices....

[Danielescu] The 60 lei rate, which is now doomed to disappear, is an artificial rate. The new rate, which will be genuine, meaning that it will more realistically reflect the purchasing power of the national currency, will make imports more expensive. Thus, before the VAT is introduced, we will have a moment of truth, which will be reflected in higher prices for a string of products. The general price increase will be directly proportional with the difference between the current official rate of 60 lei:\$1 and the future single rate. There are already several scenarios, several versions of the one rate. The decision has not yet been made. The discussions concern more than price increases. There will be problems about the budget, too. We cannot ignore the sources for financing the budget deficit. If we don't have a correct rate of exchange, we can rapidly come to spiraling inflation, i.e., to successive price hikes.

[Vasilescu] There will be inflation anyway....

[Danielescu] Yes, but the important thing is not to have hyperinflation.

[Vasilescu] In September, after three "rounds" of price hikes, we came to a ("corrective" as it is sometimes called) inflation of 314 percent. Some experts think we may reach a 600 percent rate of inflation by the end of the year. What do you think?

[Danielescu] If the exchange rates are merged at a level close to the current fixing [last word published in English], i.e., at 200 lei:\$1, this somber forecast may come to pass.

[Vasilescu] Do you think that 200 lei:\$1 is an unfavorable rate?

[Danielescu] Yes! Extremely unfavorable. The prices will explode.

[Vasilescu] What do you think would be the optimal exchange rate?

[Danielescu] I think that only the return rate can outline the optimal dollar rate. I am referring to the return rates (in the leu-dollar relationship) achieved by established exporters in our country. Another basis for calculation could be the level of exploitation of certain agricultural products. I am referring to their foreign market value. That is the only way to arrive at a single rate reflecting our potential and the relationship between domestic and foreign prices....

[Vasilescu] According to calculations made last summer, it was hoped that we would reach a single rate of 100 (plus-minus 10) lei for the dollar. Do you think that such a rate is still an option?

[Danielescu] It is said that such a rate (90-110 lei:\$1) is nothing but a dream. But any dream can become reality.

[Vasilescu] Experts of the Romanian Foreign Trade Bank and IMF experts are having a wager concerning the exchange rate of the leu by the end of the year.

[Danielescu] There are many predictions. The fact remains that if the dollar will be too expensive, the economy will explode. Neither inflation nor government stability will be able to be controlled.

[Vasilescu] We will come back to this aspect in our next issue.

**[Box, p 3]**

The state budget deficit in 1991: from the initially envisaged 35 billion lei, to 72 billion lei; September 1991 prices were 319.4 percent higher than in October 1990; during the same period, salaries increased by up to 259.2 percent; in the period between 1 January-30 September of this year the industrial production was 17.7 percent lower than in the same period of 1990; retail sales dropped 27.4 percent; low rates were also recorded in investment activities; the number of unemployed grew to over 250,000; all these problems are putting heavy pressures on the country's finances!

**Background, Goals of 'Ram Plan' Analyzed***92BA0101D Sarajevo OSLOBODJENJE  
in Serbo-Croatian 5 Oct 91 p 6*

[Article by Z. Odic: "Borders to the Memorandum Line"]

[Text] Ljubljana, 4 Oct—The purpose of the "Ram plan" is to open up an expanded Serbia or an alliance of Serbian states on the territory of what is now Yugoslavia. The facts are inexorable in this respect and confirm everything about the "Ram plan" that Dr. Teodor Gersak said to our newspaper on Wednesday. The meeting of the four-member Presidency of Yugoslavia, which was held on Thursday, only made public a state of affairs that has existed in the country since February and confirmed that a military putsch has been carried out in the country, that the country's top military leadership is tied up with the Serbian-Montenegrin political leadership. According to Dr. Teodor Gersak, the strategic objectives of that policy and that tandem are to establish "some kind of Balkan Serbian-Yugoslav state whose motto would be that all Serbs must live in one state." That is why maintenance of the Yugoslav state in the form of a confederation or alliance of sovereign states has to be prevented at any price.

**The Project of an "Expanded Serbia"**

"The objective of this policy in the first stage was to drive Slovenia out of Yugoslavia, because it was a factor that extremely frustrated achievement of those objectives. This was followed by the military occupation along the well-known Memorandum line in Croatia, the ethnic purge by terrorist acts, the taking of eastern Slavonia and the territory of 'SAO [Serbian Autonomous Oblast] Krajina.' The political, economic, social, and military defeat, the conception runs, would be followed by the downfall of the Croatian government and the remainder of what once was the Croatian Republic would be forced to secede, so that the blame for the breakup of Yugoslavia would be placed on the separatist western republics."

That project for establishing an expanded Serbia, which for a long time has been sold under the name of preservation of Yugoslavia and the threat to the Serbian people in Croatia, according to the subject of our interview, has been drawn up in maximal and moderate expansionist versions. It is typical of both versions that the borders of that new state would follow the well-known "Memorandum line." After the failure of military intervention in Slovenia, risking charges that it violated the cease-fire, the Army, on the pretext of wanting to separate the belligerents and prevent interethnic conflicts, tried to take the western border of the new state along the line of the broad region of Karlobag, Ogulin, Hrvatska Kostanjica, Novska, Pakrac, Djurdjevac, and from there to the Hungarian border. That line to some extent departs from the "Memorandum" line, but it is a border line which extends in such a way, according to the subject of our interview, that the "new Balkan creation would get in its

border zone important orographic features, which are strategically very important. The maximum version encompasses a large economic potential, but raises insurmountable ethnic problems. Although this variant has very little political possibility of success, not only Serbia, but also the Army is interested in it, mindful that following the ruthless aggression and savage devastation it will have to pull out of Croatia, and it must ensure itself the possibility of social survival on the remainder of Yugoslavia. This is suggested by the fact that the Army, following the forcible ethnic purge of Croatian territory that would belong to the future Balkan state, has been establishing some kind of buffer zone in the broad Memorandum zone. It has revealed that objective in its recent military operations, in which the Bjelovar and Banja Luka Corps—because the Croatian side is winning the fight for Vukovar, Vinkovci, and Osijek—have been trying to cut off Slavonia from Croatia, during the entire time since the truce agreement has been signed. The assessment of the top military leadership is that holding that territory prevents a spontaneous disintegration of the Army and makes it possible for it to be transformed into a purely Serbian army, which is the assurance contained in last night's announcement from General Kadijevic. The military logic is simple: Let us take as much territory as possible, and then let the politicians talk about an agreement, if they like, for the next 50 years.

Here is one reason why the subject of our interview was convinced that the maximum version would fail: "In a truncated Yugoslavia, Serbian policy must persuade or force the Albanians, the Macedonians, and the Muslims and Croats who live in B-H [Bosnia-Herzegovina] to live in such a state. Unless all the parts of B-H are annexed, those areas where Serbs live, it is not possible to link up all the areas with Serbs. This then raises the question of how to win over the Muslim and Croat segments of the population, under what conditions they are ready to live in a truncated Yugoslavia. The Muslim and Croat populations are highly distrustful of the Serbian policy of territorial expansion in B-H, and even a large segment of the Serbian population is insisting on the sovereignty of B-H. Igniting the passions of the Serbian people in B-H, which succeeded in Croatia, is too dangerous for the Serbian regime under present conditions. It is aware that the people in the Dinarids are not peaceful Pannonians and the result could be conflicts of such dimensions that the present state would look like a bloody little episode compared to the conflicts which are possible. Except that the Serbian expansionists will not give up that version, and that is why they have prepared a 'softer' version in order to achieve the same goal," the subject of our interview asserts.

**Outlet to the Sea**

"Under this version, expansion of Serbian borders to the Memorandum line will be attempted by a referendum of the Serbs in B-H to hold the territory of the Bosnian Sava valley and all five SAO's, which would be linked up with SAO Krajina. Then they would get an outlet to the sea. In

that version, central Dalmatia and a portion of B-H would remain temporarily outside the project of expanded Serbia, which wants to annex not only eastern Hercegovina, but the entire coastal strip from Dubrovnik to the Neretva, including Dubrovnik and the southern Dalmatian islands. This is in fact an expression of the marked appetites of an expanded Montenegro, which is taking pains to explain that this is territory which belonged to the Zeta Banovina. Those desires would leave B-H with no outlet to the sea. In that version, the policy of an expanded Serbia would temporarily renounce annexation of the Muslim section of B-H and the western part of Hercegovina, because those ethnic groups are feared most by the Serbs in an expanded Serbia."

The main condition for the failure of these plans, according to the subject of our interview, is that people be familiarized with these plans. A second reason lies in the very behavior of the Army:

"Its problem is that all its thoughts at the strategic level have for years gone in the direction of carrying out a strategic counterattack following military occupation of a portion of Yugoslav territory and of then driving the aggressors over the external borders. In terms of doctrine, that maneuver was built on maximum reliance of the units on the resources of the national units of territorial defense and on geographically dispersed materiel. In this case, the Army has become enmeshed in a conflict which is referred to as domestic military intervention, for which it was utterly unprepared from the standpoint of morale, organization, and materiel. It is more than obvious that given its nature, it is utterly incapable of carrying on a conflict of any breadth, much less a blitzkrieg with a decisive blow. In conflicts up to now, it has been shown that the Army is utterly incapable and unprepared for certain types of combat operations, the infantry and armored units are not operating in concert, and combined operation with the Air Force is also lacking. The conflict at Vukovar shows that the most elite Guards units of the Army are not capable of taking a city of any sizable population. The consequence of all that is that great independence has been given to lower commands, which are using their supplies at an unlimited rate, but in an extremely unorganized way, and the only possible conclusion is that the professionals in the Army are utterly untrained and unorganized in combat, and the price being paid for that is the immense casualties, especially those of the civilian population and at civilian facilities. It is being shown that within the Army there is not only moral division, but also organizational fragmentation, which is why it is not capable of conducting contemporary warfare. Instead of concerning themselves with their profession, which is what society commissioned them to do, the top military leadership has wanted at any price a political army, whose bureaucracy has been engaged in selling weapons and in politics, which we are now paying for with thousands of casualties. I think that we must seriously think about bringing the persons responsible for this situation before

the court to defend themselves not only for committing war crimes, but also for the utter technological and organizational disintegration of the Yugoslav Army."

### Reasons for Dubrovnik War Discussed

92BA0101A Belgrade BORBA in Serbo-Croatian  
9 Oct 91 p 11

[Article by D. Vukovic: "A Military or a Political Issue?"]

[Text] Removing the blockade of garrisons and other military facilities is stressed as the main objective in the war which the JNA [Yugoslav People's Army] is waging against the armed military formations of the Republic of Croatia. The perplexing thing, however, is that JNA forces are surrounding Dubrovnik, in which there is not a single military facility except the resort at Kupari, which the Army had abandoned earlier. Why, then, do the armed forces of Yugoslavia need this battlefield and the conquest of Dubrovnik as an ultimate goal?

At around the same time that the clashes began on the Montenegrin-Croatian border, numerous forces of the JNA, whose personnel were mainly Montenegrins, marched into eastern Hercegovina. The pretext that the soldiers are there because of possible interethnic conflicts was not logical, because their arrival only worsened interethnic relations. In view of the further development of events and use of JNA units along routes to Dubrovnik, one cannot escape the logical conclusion that the real purpose of the military presence of the JNA in eastern Hercegovina was to open up yet another theater. According to certain unofficial reports, which sound fairly logical, the strategic conception of the Supreme Command Staff of the JNA was to take the burden off other fronts and to draw the armed forces of Croatia over to this theater. According to those unofficial reports, they are also counting on the Croatian units consisting of Croats from Hercegovina hurrying to defend "their homes." They are also counting on the JNA having strategic, technical, and numerical superiority in this terrain, and they assume that without great effort it will surround and destroy the armed formations of the Republic of Croatia. Because Dubrovnik has remained the sole direction for withdrawal of Croatian Armed Forces, under this plan there is no avoiding an attack on it if it should not be surrendered.

In the light of these conjectures, the conflicts of the JNA with the armed formations of the Republic of Croatia on the Montenegrin-Croatian border have a different significance as well. If it is an accurate assumption that the JNA has planned to surround and destroy the armed formations in the region of Dubrovnik, then it is also natural that the conflict on the Montenegrin-Croatian border was not provoked only because the paramilitary forces attacked the garrison at Prevlaka and threatened Herceg Novi and Kotor Bay.

The political dimension of the armed conflicts in this region is of equal interest and difficult to overlook. As

for official Montenegro and its possible claims to what is now Croatian territory, the only thing certain is that it has "cast its eye" on Prevlaka. This is not concealed, nor is it illogical. But as far as Dubrovnik and its hinterland are concerned, matters stand differently. Official Montenegrin policy has never publicly expressed a claim to that portion of Croatian territory, although a few days ago Vojin Djukanovic, minister of the economy in the Montenegrin government, mentioned the borders of the Zeta Banovina, which for a time did contain Dubrovnik. Not even the People's Party of Montenegro, which is the Serb ethnic party, has been thinking of Dubrovnik as a Montenegrin city. It is thinking, however, that the Dubrovnik republic should be set up, which would be a kind of buffer zone between Montenegro and Croatia.

There is speculation that the capture of Dubrovnik (in the official version, it is a question of liberation) represents an investment toward the future political negotiations over borders with Croatia. This could supposedly be a good trump in the hands of a new and truncated Yugoslavia when it comes to delineating a border with Croatia, because it is assumed that to get Dubrovnik Croatia would be ready to make concessions somewhere else.

#### **Intranational Relations Office Founded in Croatia**

92BA0094E Belgrade BORBA in Serbo-Croatian  
16 Oct 91 p 6

[Article by S. Modric: "The Minorities Are a Rich Resource"]

[Text] Zagreb—In the newly formed Office of the Government of Croatia for Interethnic Relations in this republic, yesterday the first gathering was held of representatives of Croatia's ethnic communities to try to decide how to collaborate in the future. This government body is headed by Milan Djukic, leader of the Serbian Democratic Party [SDS], who convened yesterday's meeting, which was also attended by Dr. Franjo Greguric, Croatian prime minister, and Dr. Mato Granic, deputy prime minister.

Dr. Granic told the numerous representatives of the ethnic communities that minorities should be treated as a valuable resource, exactly as this is done by Europe. Their position in Croatia will soon be dealt with in a new law that is already being instituted in keeping with the Croatian Constitution and the guarantees which Croatia signed in the Hague Agreement.

Dario Forca, representative of the Italian Union, said that establishment of the Office for Interethnic Relations was "pleasant news" for the Italian minority in Croatia, because such bodies formed under governments have been proof of democratic intentions in various states. Vesna Pihler of the Alliance of Austrians and Germans proposes establishment of the office's agencies in the regions of Croatia so that it would not be necessary to run to Zagreb for every problem, and she was supported by the others. The Assembly and government were

criticized because ever since the war has been taking place in Croatia, they have not asked "even by telephone" how the minorities are getting along in Osijek and Slavonia. Recalling that there is no representative of the Hungarians in the meeting, V. Pihler said that the Hungarians in eastern Croatia are utterly lost, their building has been burned, and they need help.

Ibrahim Kajan, president of the newly established Muslim society "Rebirth," emphasized that Muslims in Croatia no longer want to explain their name to anyone. They do not have a better one, and they consider themselves a nationality, so that in Croatia in the future they will operate as an ethnic community with all the rights to which they are entitled. He said that his society had already formed units for defense of Croatia, which should not arouse suspicion, because Muslims, because of their particular customs, seek some kind of separateness even under wartime conditions. Srdjan Matic of the Jewish Community commented that many states have been signing various treaties and declarations at the international level, but the realization of those documents is in the hands of nongovernmental organizations. Nenad Porges, president of the Jewish Community, said that the office could not work effectively until its representatives go into the field and get an idea of the needs and specific characteristics of the ethnic communities.

Prime Minister Greguric guaranteed that the government did not want the office to influence minorities in place of the government, but just the other way around. He said that this body must do everything so that representatives of ethnic communities in Croatia feel themselves to be fellow citizens of the majority nationality, retaining all their distinctive features. He also feels that the office must promote and aid closer ties of minorities with their parent nationalities, and, should Yugoslavia disintegrate, advance the rights of all minorities in all republics.

#### **Muslim Leader on Bosnia-Herzegovina Sovereignty**

92BA0094D Belgrade BORBA in Serbo-Croatian  
16 Oct 91 p 11

[Interview with Selim Sabic, Democratic Action Party vice president, by Dragan Bisenic; place and date not given: "Only Injustice Is Defended by Force of Arms"]

[Text] The insistence of the Democratic Action Party [SDA] on enactment of a document concerning the sovereignty of Bosnia-Herzegovina [B-H] has greatly agitated political life in this republic. The other day, after the Assembly's decision to adopt the proposed SDA Memorandum even without the votes of the Serbian Democratic Party [SDS], there were many speculations over whether the boundary dividing peace from war had been crossed. We talked with Selim Sabic, SDA vice president, about the motives for enactment of the declaration, its possible consequences, and the position of Muslims.

Selim Sabic is not one of the most visible figures in that party, but he undoubtedly has an important influence on its policy. It should be recalled that after the accusation by Adil Zulfikarpasic that he is a "spy of KOS [Counterintelligence Service]," the SDA split, and it was at that time that the MBO [Muslim Bosnian Organization] was created. Incidentally, the court case that followed those accusations is still going on. Sabic is also said to be a successful Zagreb businessman, and he therefore took an important place in the committee to build the Zagreb mosque.

#### **We Are Not Seeking Any Privileges**

"Our project is based on the existing B-H Constitution. It is both a sovereign and equal state of the citizens who live in it, Muslims, Serbs, and Croats. Likewise, Amendment 62 of that Constitution states that each nationality may also change its status in the republic on the basis of decisions of the Assembly, a referendum, and a two-thirds majority," Sabic says.

"We are seeking only the same rights, and we are behaving as a responsible nationality that respects the legal system, but those who have been rebelling the whole time since the war have been violating the Constitution, using it only when they needed to and as much as they could for their own purposes, without consideration for other nationalities, especially the Muslims. I say that over the last 45 years we have been orphans, that we have had our representatives who did fantastic service to the policy that was in effect. They did not dare to mention their people even in jest. And when they left the scene, when they died, the Muslim people never complained. Those are slogans. The time has come for the Muslim people to begin to work on behalf of its own interests, not on behalf of the Serbs and Croats. We are fighting for equality and for the democracy which others do not understand. For some people, democracy is a terrible thing. They think that democracy means guns, airplanes, and cassette bombs."

[Bisenic] How do you explain the opposition of the SDS?

[Sabic] It is incomprehensible. The SDA is a party that conducts a Bosnian policy that contains the interests of both the Serbian and the Croatian nationalities. We are not seeking any privilege for ourselves, but we are seeking a Bosnia-Herzegovina which is our homeland. Even the Croats are largely conducting a Bosnian policy which is close to our policy. The Serbian Democratic Party is an exponent of the policy conducted by Slobodan Milosevic. It is a transmission belt, and that is proven by the fact that in B-H there have never been problems of its own, but problems of those who have come here. That is what deeply insults one. People who are born here, people whose fathers and grandfathers have lived here, who have had privileges for 80 years and controlled everything in Bosnia and Herzegovina, are working for themselves. This is a kind of hypocrisy unthinkable in the last decade of the 20th century. These are not people who understand the word democracy.

They are leading the people astray, yet the Serbian nationality in Bosnia is largely Bosnian.

[Bisenic] From that vantage point in which there is agreement in policy between the SDA and HDZ [Croatian Democratic Community], it is easy to arrive at the construction of the Muslims as the "flower of the Croat people."

[Sabic] The Muslims are the flower, but the flower of the Bosnian people. Our history is something from which lessons should be drawn to make things better, more reasonable, more realistic. We are not resorting to charges of genocide against Muslims. We will not retreat. We are looking ahead. We are the only Yugoslav nationality looking ahead 100 years. We realized the need and possibility of living together 150 years ago.

#### **We Carry No Burden From the Past**

In the regions where the Muslims are in a majority, there are no graves of those murdered by the Muslim hand. We do not have such burdens from the past. We are a flower, but a noble flower. Every reasonable man ought to support Bosnia and its sovereignty, independence, neutrality, and demilitarization. Let us separate the two fires which cannot understand what peace means. There is no Serb in B-H who has to close the door to his yard because of his Muslim neighbor. He can sleep freely, but can the Muslim feel the same way? Our people are afraid. Hundreds of trailer trucks full of arms have been distributed among the Serbs in Bosnia. To be used against whom? That is well known. Only injustice is defended by force of arms.

[Bisenic] Does this mean that after peace begins in Croatia, war will begin in Bosnia?

[Sabic] No danger threatens anyone from the Muslim people. No danger from the Croats threatens the Serb. The Serbian people in Bosnia are not threatened. They are privileged, but they cannot face reality. And the reality is a democracy in which certain privileges have to be given up. When the free movement of capital, ideas, and people begins, then the able ones will be successful and it will not be important whether that capital belongs to a Serb, Muslim, or Croat. No one in the Balkans has any greater opportunity than Bosnia-Herzegovina. We have able and educated people in all three nationalities. Among those three nationalities, it is only the Serbs and the Army that can cause a war. The Muslim will not attack anyone. There will be war insofar as the SDS wants to have war.

[Bisenic] What is your position toward the "Belgrade initiative"?

[Sabic] The Belgrade initiative would impose an outdated solution, it would take from others the right to express themselves democratically. Our own Gligorov-Izetbegovic initiative offered a reasonable solution, a

community of sovereign states. The Belgrade initiative is a deception of Bosnia and Hercegovina and is not in good faith.

[Bisenic] Do you not think that the "alliance of sovereign states" would result in creation of a protectorate of those "sovereign states"?

[Sabic] If there is a desire to bring those states into European and world developments, in a year that alliance would be a very exemplary community of nationalities who are very close to one another. When it comes to foreign countries, those forces do not exist. It is a fact, for instance, that today the entire world is a protectorate of the United States. I would not have anything against being in such a protectorate, because that has been a fact for 100 years.

### **Retired Admiral on Restructuring in JNA**

*92BA0094A Belgrade NIN in Serbo-Croatian 11 Oct 91 pp 18-20*

[Interview with Branko Mamula, retired fleet admiral, by Uros Komlenovic in Belgrade; date not given: "The Yugoslav People's Army Is Not Out of Control"]

[Text] Branko Mamula was born in 1921 in Slavsko Polje, near Vrginmost. As a member of SKOJ [Communist Youth League of Yugoslavia] he went off to war in 1941 and spent the first two years in Partizan units in Kordun, Lika, Gorski Kotar, and Banija. Following Italy's capitulation in 1943, he was transferred to the Navy, which was then just being created, so that he was among its founders. After the war, as he himself says, he had the "typical career of an officer who started out in the war, his career necessarily had to be slowed down because of his youth." He became an admiral in 1960. We talked in the rooms of the League of Communists—Movement for Yugoslavia [SK-PJ], on the 15th floor of the former Central Committee building on the Usce.

[Komlenovic] After 1970 you took over command of the Navy, and in 1979 you became chief of the General Staff. That was the position you held when Tito died.

[Mamula] That event marked a change of direction in the state, the party, and, of course, the Army. That was when the crucial question was posed for Yugoslavia: Would it survive as an independent country or would it have to accept an alliance frequently offered it with the East by the Warsaw Pact? Later, the meetings with the Soviets revealed that there was no immediate danger, but there were serious assessments of Yugoslavia following Tito's death. Even today I believe that our vigilance was not groundless.

[Komlenovic] Not long thereafter, in 1982, you became federal secretary for national defense, and that is the position you held when you retired in May of 1988. At that time there was quite a bit of speculation about your retirement.

[Mamula] Many were inclined to the interpretation that I was driven out of the Army because of a disagreement with the Presidency and the Central Committee, and supposedly in my statements I threatened a putsch and threatened Slovenia's young democracy. It is true that I announced my departure for the spring of 1987 and gave the reasons. The laws allowed me to serve in my rank until the age of 67; in 1988 I fulfilled that condition and wanted to respect the law to the end, not only for my own sake. There were quite a few of those who were asking to stay on (even a majority). However, it was high time that my generation turn over positions to the younger men.

[Komlenovic] You were also one of the founders of the League of Communists—Movement for Yugoslavia. What post do you hold now?

[Mamula] After the disintegration of the LCY [League of Communists of Yugoslavia], I tried with a certain number of generals, admirals, and politicians in Croatia to analyze the position the Communists and Serbs had gotten into in Croatia. We tried to organize people, especially in opstinas with a majority Serbian population, with the intention of denying obedience to Racan's party, which clearly was based on treason from the outset. Last year's talks about creating the SK-PJ represented a continuation of that activity which did not yield results because of opportunism in the Croatian LC [League of Communists], even among the Serbian officials. The creation of the SK-PJ was also necessary so that party members in the Army could transfer to an organization that could take them, because transferring to the republic party had created a split in the Army because of diametrically opposed views. In view of my age and also the fact that I had been minister, I did not want to accept any post. Today, I work in the party on foreseeing social changes and development, a solution for Yugoslavia and Yugoslavia's place in the world. In the Popular Front, which is now being formed on the initiative of the SK-PJ, I will probably work in the military policy commission.

[Komlenovic] The state of an immediate danger of war, which the four members of the Presidency from Serbia and Montenegro declared in the presence and with the support of the top military leadership, caused a great deal of perplexity in the public.

[Mamula] The immediate danger of war is one of the states envisaged by our Constitution and the law on defense. I personally think that this is the right thing. The Presidency has actually only legitimized a state which has been in effect for a long time, and it is a great pity that it was unable to take that decision much earlier. As for the dilemma of whether the Presidency has the right to make such a decision without all its members, the matter is clear: under the conditions of a danger of war, the president or vice president himself, without the other members, has that right. We should not be concerned about whether someone abroad recognizes the decisions or not, because we are dealing with an internal problem of the country.



[Komlenovic] Many people look upon proclamation of that state to have been a military and party coup, because all the members of the Presidency who adopted that decision are members of the Socialist Party of Serbia, except Branko Kostic, whose party has an almost identical origin.

[Mamula] No one prevented the other members of the Presidency from taking part in the proceedings, conditions were even brought about to make that possible for them. Two days later, in the meeting of the Presidency with four members present, the conclusion was adopted that the country is threatened by an immediate danger of war.

[Komlenovic] By its decision, the "truncated" Presidency threatened deserters with the death penalty and envisaged 10 years in prison for evasion of the mobilization. Nevertheless, if the trend of large-scale desertion from the Army continues, will there be large numbers of young people going before firing squads, and how will the legal penalties be exacted from the technical standpoint (the number of those who are in hiding is immense)?

[Mamula] I do not think that that will happen. The Serbian soldier and every other soldier has always responded to the mobilization when it had a purpose, a motivation, and officers to carry it out. The intention at this point is not to threaten those soldiers, but to indicate the responsibility of those who are urging that kind of behavior. That especially applies to certain opposition parties in Serbia and the leadership of the Republic of Bosnia-Herzegovina and Macedonia, who have been relieving their recruits and reservists from discharging their obligation under the Constitution and the law. No mobilization can be carried out on the basis of penalties. That kind of mobilization will not go far, and people who are led in that way will not achieve their objective. As far as Serbia is concerned, one must realize that the Serbian people live in Croatia, they are waging a struggle, the Army is helping them, and the reservists must report to that Army and replenish it. Any other behavior is not only illegal, it is profoundly unpatriotic, selfish, and amoral.

[Komlenovic] You mentioned the objectives of the war. What will be the line of action once the Army frees its garrisons? Perhaps withdrawal to the line of the ethnic borders?

[Mamula] I am not in a position for us to talk about the ultimate plan of the JNA [Yugoslav People's Army]. It will depend on the decisions of the Presidency as the supreme command. I think that even the withdrawal of the Army from Slovenia was a wrong move. Our borders are at the Soca River and Karavanke Mountains, not on the Kupa and Sutla Rivers. To be sure, it is not difficult to understand the reasons for the withdrawal, because the JNA was exposed to incredible hatred. By that I do not mean to defend serious mistakes made by officers of the JNA who did not carry out that operation in a

professional way, allowing themselves to be surprised. Some of the mistakes in Slovenia, which is still worse, carried over into Croatia. As far as the objective is concerned, the Army must liberate its garrisons and demand return of its weapons and property. What the JNA does after that is a matter for a political decision.

[Komlenovic] There is, then, no clear long-term goal. How possible is it to mobilize people who do not know whether they are fighting for all of Yugoslavia, including Slovenia, or without Slovenia, or for Serbian ethnic borders?

[Mamula] I think that the objective is clear and that removing the blockade of the garrisons is a sufficient motive. Solving that problem makes it possible for the Army to perform its subsequent tasks, including that minimal task—on the ethnic borders.

[Komlenovic] You emphasize indecision and halting in the face of the objective as the basic mistakes of the Yugoslav People's Army up to now.

[Mamula] The JNA has been in the most difficult possible position. Ever since Tito's death, it has continually been led into a dilemma: either to carry out a coup d'etat or to lose its identity and reputation with the people. It has opted for this latter possibility, and, respecting the Constitution and the decisions of the Presidency, it has ended up in a very difficult position. The Presidency has been issuing tasks to the Army and then preventing it from carrying them out. That kind of behavior has made it possible for the Croatian Supreme Command to "buy" time, to organize and arm paramilitary organizations. Now, I am convinced, the JNA is resolved and will not allow anyone to halt or deceive it.

[Komlenovic] Does that mean that the Army has now taken up the first of those two options you mentioned: the coup d'etat?

[Mamula] No, the JNA has remained in the same relationship to the Presidency as earlier, but the Presidency has cleared up matters within itself and set the Army tasks which it can and must carry out.

[Komlenovic] The course of the conflict to date indicates that some of the officer corps of the JNA is not well trained and competent. Is the reduction of the number of leadership personnel in Army districts and the naval district evidence that this impression is not deceiving?

[Mamula] A reshuffling of personnel has taken place within the JNA itself. Mistakes have been happening in the Army because of the unsound direction and unprofessional performance of tasks, as in Slovenia or Croatia when they allowed garrisons to give up and equipment to be stolen. That led to a reaction within the body of the Army itself. Many resolute commanders have demanded and are demanding that the JNA perform its tasks. For the sake of objectivity, I must say that the JNA was not prepared for this kind of war and that it needed time to reorganize itself. What is more, even earlier people had

noted in the JNA, and after the action in Slovenia it became obvious, that its inner being was corroded, infected with secessionism, nationalism, anti-Serbism, and the like. The soldiers had begun to fear treason among their officers, and this affected mobilization. That is why the Army took a number of steps to reorganize itself. Some of them were tardy, some of them were very painful, and some were natural. By the latter I am referring to the fact that every war weeds out personnel harshly. Generals who have begun a war have often failed to finish it.

[Komlenovic] When you mention "painful measures," are you referring to the changes in personnel?

[Mamula] I am referring to that when I mention the tardy measures. The action should have been more vigorous in removing people who had in some way been identified as carriers of treason. There is a group of top officers, generals and admirals, who were traitors.

[Komlenovic] General Tus, Admiral Grubisic, Admiral Letica....

[Mamula] I am thinking above all of Spegelj, but he was already retired. Among the active ones, there would be Tus, Grubisic, and some others. They have to pay for their treason historically, politically, morally, and legally. In any country, treason of such high officers is punished most severely.

[Komlenovic] What in your opinion drove them to such a step?

[Mamula] The motives vary. In some cases it is pure nationalism, as in Spegelj's case. In the case of Tus, there is not only nationalism, but also careerism. He wanted to become chief of the General Staff in whatever army, even an Ustasha army. His genesis did not indicate treason, nor the region from which he comes, nor his family.

[Komlenovic] He comes from a Partizan family?

[Mamula] Yes, and he was born in Bribir, a well-known Partizan town. Nothing led him to treason except his unlimited ambition. As far as Grubisic is concerned, he did not meet professional criteria, he had become politically unreliable; when he was removed from the post of commander of the naval district, he was seized by a sense of rejection. He found a refuge on the other side.

[Komlenovic] Does the passage of these officers onto the side of Croatia strengthen its forces in terms of personnel and at the same time weaken the personnel of the JNA?

[Mamula] Some of them are qualified officers, and they will certainly bring a professional quality to the Croatian army. However, I would not confine myself to that element alone. Actions of that kind have a moral and political significance, because their purpose is to show to what extent the JNA is loose tissue that is easily disintegrating, to demoralize those who have remained and to encourage the other side.

[Komlenovic] A great number of officers of Croatian nationality have served in the Navy. To what extent have the departures to the other side so far weakened that part of the JNA?

[Mamula] The Navy, the naval district in particular, has had quite a few losses of personnel because of the opportunities missed by its command when in the critical hours, when the forces were still feeling out one another to show its readiness to defend its people, property, and facilities. This was evident when they suffocated the soldier in the personnel carrier in Split. That was the time to show that bread cannot be earned without blood, and everything after that would have been clear. Instead, the emboldened Croatian forces attacked garrisons at Ploce, Sibenik, Split, Pula.... Second, the very location of the naval district, which, aside from Boka Kotorska, is entirely located in the Croatian ethnic region, made the situation still more difficult.

[Komlenovic] What is the strength of the Croatian navy?

[Mamula] Recently, there has been talk about a new Croatian navy being formed. It is headed by a certain Adm. Letica. The range of that admiral and his navy is very short. He is a marked example of an ambitious man who was unable to make his career in the JNA, and so he has found himself in Croatian formations in the belief that he will achieve success there. His professional qualities, however, are very weak, and all those who have worked with him are aware of this. At one time in Brac, in the presence of several admirals, including Letica, a lieutenant colonel pensioned off as a nationalist after the mass movement in 1971, told me: "Admiral, you drove us out of the Navy, but you have left Letica, who is a much greater nationalist, and at the same time he is an utterly incompetent officer." This Letica later displayed such hostility toward me that he all but threw me into the hands of Ustasha emigres. This occurred at the end of the 1970's on an excursion in the vicinity of Arzan, at a place called Raseljka. I learned of that only later.

[Komlenovic] The military actions in Dalmatia have given a new relevance to the problem of possible destruction of invaluable cultural and historical monuments in cities on the coast (Dubrovnik, parts of Zadar, Split, and Sibenik). The commander of the Knin Corps, which has blockaded Zadar, has said that the lives of his soldiers are more important to him than any monuments in the city.

[Mamula] Gen. Vukovic is a very solid officer who does not get carried away in his thinking. Every commander will first of all protect his people and avoid any unnecessary loss. As for Zadar, I am certain that Vukovic and his commanders will do everything not to touch historical monuments. As far as Dubrovnik is concerned, the Presidency and the armed forces have been careful to avoid a possible provocation which would have worked against us. Dubrovnik is exceedingly important to any Yugoslav, but not to the foreign mercenaries in Croatian

formations who to a great extent are not under the control of their commanders. However, Tudjman and the Supreme Command cannot relieve themselves of responsibility on the excuse that some units are waging war on their own, because they are the ones who hired them, armed them, and indoctrinated them. Nor can our side relieve itself of the responsibility for behavior that goes beyond the limits of what was ordered, and there have been such cases.

[Komlenovic] Could the behavior toward prisoners in certain volunteer units in Slavonia, for example, in the so-called Serbian Volunteer Guard under the command of Zeljko "Arkan" Raznatovic, compromise even the JNA?

[Mamula] It is certain that neither the Serbian volunteers, nor territorial defense, nor especially the JNA dare to behave that way. I am certain that there have been no such cases in the JNA. There is a great danger from other groups which spring up here and there....

[Komlenovic] Are you thinking of the detachments of Vojislav Seselj and Mirko Jovic?

[Mamula] Yes, there is the danger of odium being attached to the objectives, disposition, and intentions of the Serbian rebels and their territorial defense. Such occurrences could compromise not only them, but even the Army, and indeed even the country's leadership. I think it is very important to establish full control over these groups and to put a stop to those occurrences. There is never any justification for a massacre.

[Komlenovic] What is your comment on the joint statement of the foreign ministers of the EEC countries who expressed horror because of the occurrence of the conflict in Yugoslavia, accusing all the belligerents, especially referring to the JNA, because of the "impression that it is out of control"?

[Mamula] The JNA has not gone out of control in spite of numerous calls for it to do so. The fact that it bothers someone for legal possibilities to be created for the JNA to carry out its mission and act decisively is evidence that there are forces in Europe who want a solution of the Yugoslav crisis acceptable not to all, but only to the two western republics. Germany, Austria, and certain Catholic Danube countries are trying to realize only their own most immediate interests. France and Italy, because of an intensified sense of inferiority toward Germany, are changing their position on Yugoslavia. Great Britain takes a longer view of possible processes. We should also anticipate that the United States, in spite of its obsession with the "bolshhevik danger" in Serbia and the Serbian regions of Yugoslavia, will see its own more long-term interests, which cannot be on the side of an aggressive German policy. Regardless of the decline of its power, the Soviet Union is not yet an international factor which can be underestimated, and it is not impossible that there will be an American-Soviet agreement on a final resolution of the Yugoslav crisis. It will be dangerous if that agreement should be adopted to our detriment.

### **Federal Government Proposal on Financing of JNA**

*92BA0094B Belgrade POLITIKA in Serbo-Croatian  
19 Oct 91 p 12*

[Article by M. Aksentijevic: "Money Urgently Needed for the Yugoslav People's Army"]

[Text] The committee for the federal budget of the Federal Chamber of the SFRY Assembly, with the Croatian and Slovenian delegates absent, but with the necessary quorum, yesterday supported the proposal of the FEC [Federal Executive Council] that the Assembly adopt the law on financing national defense to the end of the year. Should the Yugoslav Assembly be unable (because of a blockade) to adopt that law, the problem would be resolved by the SFRY Presidency in a special decree that would have legal force. All other users from the Federal Treasury would have to operate within the funds that come in (if they do) from the Federation's own revenues, and that presupposes rigorous economy and financing only the most necessary needs of the Federal State, in view of the fact, as we have heard, that the Board of Governors of the National Bank of Yugoslavia is no longer disposed to grant short-term credits for that purpose.

The delegates of this Assembly committee also adopted a resolution to the effect that the entire balance sheet of federal property needs to be drawn up as soon as possible; a great effort is already being made to do this in the Federal Treasury. The request was also made for the most urgent possible undertaking of all legal measures to preserve and protect Yugoslav property (money and real estate) within the country and abroad.

Yesterday, the committee in fact debated the letter of the FEC informing the delegates about the problems of realizing the revenues of the federal budget up to the end of the year. As it was stated by Nevenka Pecar-Sindjic, deputy director of the Federal Treasury, about 57 billion dinars of anticipated revenues of the Federal Chamber have been held back in the republics, 36 billion based on the sales tax, 16 billion based on customs duties, and the federal units have failed to meet their obligations on the basis of contributions, so that they owe about 5 billion dinars. Incidentally, she emphasized, on the whole, that the sales tax is not being paid by any republic or province, and Bosnia-Herzegovina, Serbia, Montenegro, Kosovo, and Vojvodina are paying only a portion of customs duties.

In view of the fact that the Federation's own revenues are considerably diminished, the original 132 billion dinars in expenditures planned for the federal budget has subsequently been scaled down to about 116 billion, Nevenka Sindjic recalled on that occasion, adding that even these funds are doubtful. Only funds intended for the Army (70 billion dinars) have remained unchanged, but only 56 percent of that has been collected so far. In any case, others who depend on the Federal Treasury are having only some of the obligations to them met, and at

the same time not a dinar has gone to intervene in the economy (not counting, of course, what was paid as an obligation from last year). And all investments to modernize the operation of federal bodies and agencies have been halted, and expenditures of personnel employed in the customs service in Slovenia are no longer being financed. By all appearances, that will also be the case in Croatia.

Because of the lack of money, it was stated, things have gone so far that Yugoslavia is no longer able to pay its dues and assessments to certain international institutions. The Federation already owes 1.5 billion dinars on that basis.

During the brief discussion, it was specifically pointed out that theft of federal property has been merciless recently, regardless of whether it is property within the country or abroad. On that occasion, Nevenka Sindjic informed the delegates that the federal Public Prosecutor's Office has already been assigned the task of reacting to every case of usurpation and squandering of property in order to preserve it for the final division. Yesterday, the previously stated position was reiterated: that there must be a more drastic reduction of the number of persons employed in the federal administration, and, as one of those present said, "in our greatest inactivity we are getting money on which taxes and contributions are not being paid." The thicker pay envelopes are explained by the refunding of overpayment of taxes and contributions on the personal incomes of those personnel.

### **Federal Workers Fear Imminent Dismissals**

*92BA0094C Belgrade BORBA in Serbo-Croatian  
16 Oct 91 p 11*

[Article by M. Dapcevic: "We Have Gotten Through the 'Day of Judgment'"]

[Text] Yesterday, the federal administration escaped another "day of judgment," and thousands of persons employed in those departments in Belgrade were not left standing at the gates of the FEC [Federal Executive Council], the Secretariat for Internal Affairs, and other federal buildings. The infamous 15 October came and went, the day when supposedly pink slips were to be distributed to personnel, and nothing essentially new happened at all in connection with those stories, at least not yesterday.

The drastic pruning of the federal administration, according to those "assessments" by about 90 percent before the end of the year and beyond, is a mandatory topic among those employees, who, because of the absence of "final," "clear," or "calming" decisions, have been forced to engage in guessing, in closing trade union ranks, in stories about a strike, and even about "joining the volunteers, because they are being paid."

Immense mistrust, probably because people are so upset, has infected officials in the federal administration even when it comes to contacts with the press. It is difficult to

communicate with them without all manner of warnings and qualifications, and all of this is because "we are talking about very delicate things." Thus, Dr. Zoran Jelic, for example, director of the Federal Bureau for Improvement of Administration, insisted in an interview with BORBA on the public, but also people in the administration, being given an explanation that "he sees no way out of the present situation apart from the law, because anything else would be banditry." And he does not wish to speak to questions close to this topic, but outside the strict domain of his work. The cautiousness goes so far that even a newsman suspects that nevertheless "something is happening around the corner," after all, in spite of a conversation lasting several hours, he did not manage to distinguish whether employees really did receive some kind of questionnaire a week ago (as we heard today), which Jelic does not deny, but says "No, that is not a survey." One can only believe that nevertheless certain facts are being gathered in that bureau and will perhaps be used as the basis for determining the number of people who will remain or will leave their jobs.

In the excessive cautiousness, Dr. Jelic, for instance, also insists on his professional position, a position of principle, "not emotion"—that optimization of the federal administration can be carried out "only on the basis of the established real needs for those personnel," as well as in keeping with the laws which are in effect. The destiny of the numerical size of the administration is also likely to be influenced decisively by the results of a working group recently formed, which, however, Jelic says, "still has not completed its job."

Dr. Jelic explains as a specialist that there are a great number of legal standards, laws, regulations, and international conventions which would, should the state disintegrate, define the procedure, rights, and obligations of the two parties, of those employed in the administration, in this case, and the state, whatever it might be. In response to the remark that the Federal Treasury is altogether "emaciated," and the Federal State about to disintegrate, Dr. Jelic says that even that is not an obstacle to applying solutions that are legally in the clear. After all, this state "has property," and someone will have to be its legal heir. Which means that that someone will not be able to avoid either the inheritance of property or the inheritance of debts, and thus even all the expenses born by the federal administration. As a highly competent figure in matters of administration, Dr. Jelic does not allow the possibility of guessing about the number of administrative personnel who would be necessary and optimal ("there will be just as many as are needed"). No one, however, will be left on the street and forgotten by the law, in some uncivilized way, and regardless of the real established needs.

Incidentally, Dr. Jelic also recalls the words of Minister Kambovski, who recently declared that "at this moment it is not possible to redesign the federal administration nor to abolish the existing institutions, nor to discharge any large number of personnel." Kambovski's words

were particularly calming to the effect that "the constituents of the present Federation are required to provide appropriate funds either from the property which the Federation possesses or budget financing in the transitional period, which will have to be established." So, not only with property, but also, if necessary, by printing more money.

All of this, unfortunately, is not enough to lay the ghosts among the personnel. After all, although 15 October has passed calmly, the story about some new D-Day could get started even tomorrow.

[Box, p 11]

#### **Pruning Even Without Pink Slips**

Even without drastic cuts "from above," the number of persons employed in the federal administration is dropping with every passing day. Three federal bodies have in

past days lost 1,055 people because of the decisions of Slovenia and Croatia that their personnel should leave the Federation.

The largest loss was to the Federal Customs Administration—28.4 percent. Quite a few people had also left the Federal Secretariat for Foreign Affairs before 1 October, but after the closing of diplomatic and consular missions, whose personnel have returned to the country, that number increased somewhat (26.36 percent). A number of people have also left the Federal Flight Control Administration, so that there has been a drop of 15.52 percent on the payroll of these three bodies on 1 October.

Recent figures indicate that as of 1 October of this year, the number of federal administrative personnel was 12,134.

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